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SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 26 June 1995, at 3 p.m.

President: Mrs. OK (Turkey)

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The meeting was called to order at 3.10 p.m.

ORGANIZATION OF WORK (*continued*)

1. **The PRESIDENT** said that the Bureau recommended the establishment of informal consultations to facilitate the drafting of decisions on agenda items 4-15 as well as items 17 and 18. Concerning item 16, it was recommended that the Bureau itself should examine applications from non-governmental organizations for consultative status with UNIDO. The Bureau recommended that Mr. Al-Ghais (Kuwait), Vice-President of the Board, should chair the consultations.

2. *The above recommendations were adopted.*

3. **The PRESIDENT** said that a request had been received from the representative of the staff for the presentation of the staff's views to the present session of the Board, in accordance with General Conference resolution GC.4/Res.29. If there was no objection, he would give the floor to the representative of the staff as second speaker.

UNIDO POLICY FRAMEWORK — ORGANIZATIONAL AND STAFF STRUCTURE (*continued*) (IDB.14/13, IDB.14/8, chap. IV; IDB.14/CRP.4)

MEDIUM-TERM PLAN, 1996-2001 (*continued*) (IDB.13/19)

4. **Mr. EL HUSSEIN** (Sudan), on behalf of the Group of 77, said that the members of the Group had supported the reform and reorganization of the United Nations system as a whole, to enable it to confront the challenges and demands of the time. Within the United Nations system, UNIDO had played a pioneering role in accelerating the industrialization of developing countries and had accumulated a wealth of knowledge and experience in that field. UNIDO had a crucial role to play in the field of industrialization. In the context of the changes in the global environment and the reforms of the United Nations system, UNIDO had launched a far-reaching reform process after a comprehensive review by its Member States. At the fifth session of the General Conference, Member States had unanimously adopted the Yaoundé Declaration and had voiced their unanimous support for UNIDO as the central coordinating agency in the United Nations system for the industrialization of the developing countries. Its reform process had been vigorously pursued since then, as had been recognized by Member States. It was also recognized that sustainable industrial development was a central theme of any meaningful agenda for development designed to achieve socio-economic development.

5. The Group noted with deep concern that the economic communiqué issued by the Summit of the Group of Seven at Halifax, Canada, appeared to cast doubt on the future role of UNIDO and of industrialization in general and to constitute a retreat from the commitments expressed at Yaoundé. In April 1995, the Foreign Ministers of Non-Aligned and Developing Countries meeting at Bandung had stressed the importance of enabling UNIDO to play its full role as a focal point in the field of industrial development in the United Nations system, expressed their firm determination to oppose any attempt to weaken or undermine UNIDO's contributions to the development process and called for renewed efforts to strengthen the role and functions of UNIDO. The Group wished to reiterate its statement of 8 March 1995, that it rejected the conclusions regarding UNIDO and the role of industrialization put forward in the report of the self-appointed Commission on Global Governance.

6. The Group called on all Member States to implement the commitment they had made at Yaoundé by providing the financial and technical support for UNIDO that was crucial for the success of the reform process. It called on all Member States to fulfil their obligations under the UNIDO Constitution and pay their assessed contributions in full. Any unilateral action which violated the norms and rules which Member States had freely and voluntarily accepted could undermine the very structure of the United Nations system. The Group reiterated its support for UNIDO and its Director-General in the difficult task of speeding up the process of making UNIDO more efficient, more effective and more responsive to the changes currently taking place in the world.

7. **Ms. GREGOR** (First Vice-President, Staff Council) said that UNIDO was facing a grave challenge to its future existence, a situation in which it appeared to be particularly vulnerable to external political forces and events.

8. Reports from the media and from the international debate on international cooperation and information from within UNIDO were creating confusion and concern among the staff regarding the future of the Organization. It seemed that a new financial crisis was looming and that, despite strong political commitments from the majority of Member States in the light of progress in the reorientation and restructuring of UNIDO, possible reductions or non-payment of assessed contributions by one or more of the major contributors constituted real threats to the existence of the Organization.

9. The adjustment of the Organization to a changing external environment could be legitimate and healthy

only within a stable and well-defined framework, with clear goals and the fullest involvement of all responsible parties and of the staff at large. The Staff Council had repeatedly stated its readiness to participate in and contribute to the implementation of the adjustments required as the twenty-first century approached, and to work together with management to develop a new vision for UNIDO. Meetings had been held with the Office of the Director-General in order to improve staff-management dialogue and seek clarity on emerging issues. She hoped that consultations with the Director-General would continue after the current Board session, in the light of its deliberations. The staff representatives must also be closely involved in the work of the consulting firm that had been recruited to assist the Organization in strengthening the reform process. A well thought-out and clearly defined personnel policy was a major factor for the achievement of a strong UNIDO, *inter alia* by the optimal utilization of available human resources; that point seemed to be of particular relevance in the light of the statement made by the United States delegation at the first meeting of the current session. The survival of the Organization must not be called in question and it was important to restore staff morale and a sense of shared organizational purpose in order to correct the adverse trend.

10. However, the staff needed a clear message from the Member States as to how to overcome what could be perceived as a "crisis of purpose" confronting UNIDO, and also the more tangible financial crisis.

11. She appealed to Member States to reiterate their support for UNIDO and its staff so that the common goal of equitable and sustainable development could be achieved.

12. **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria) asked that the statement by the First Vice-President of the Staff Council be distributed to all delegations.

13. **Mr. HOJJAT** (Islamic Republic of Iran) said that industrial progress in the developed countries had been achieved without consideration of ecological factors, whereas the developing countries faced environmental and other restrictions. That entailed great costs, which might slow down the process of the industrial development of the developing countries. Developing countries should therefore be assisted financially and technologically by developed countries on a fair basis.

14. The structural economic changes taking place throughout the world were mainly the outcome of technological innovation. However, the prospect for industrial development of the developing countries was not bright. Those countries were hampered by an unfavourable external economic environment characterized by inadequate access to technology and know-how and a widening technological gap between developed and developing countries. The goal set in the Lima Declaration for the share of developing countries in world industrial production had not been reached. Industrial development performed an essential function in combating poverty and creating jobs, as reaffirmed by the General Assembly in its resolution 49/108.

15. UNIDO had a crucial role to play in the industrialization process and had worked in partnership with both developing and developed countries as a centre of excellence and an honest broker. Nevertheless, the role of industrial development as a key element of economic development had recently been questioned in some media and in the report *Our Global Neighbourhood* presented by the self-appointed Commission on Global Governance. The economic statement of seven major industrialized countries issued recently at Halifax, Canada, had unfortunately been affected by the findings of that Commission regarding UNIDO. His delegation considered that the conclusions of the Commission and other similar bodies on industrial development and the role of UNIDO were totally erroneous.

16. Amputation before diagnosis was not the correct solution. It would be unwise to close down an active and much needed organization when no substitute was created, particularly when the organization in question had already undergone a process of reform and revitalization. The reformed UNIDO had a very vital and constructive role to play in technical cooperation among developing countries and in South-South cooperation. It had also been a capable partner for developing countries in the South-North dialogue.

17. His country called on all other Member States, in particular the major contributors, to extend full financial, political and technical support to UNIDO, in line with the commitments made at Yaoundé, particularly by timely payment of their assessed contributions.

18. The correct place to evaluate the achievements of the reform process of UNIDO was within the Organization. The Member States should establish criteria for measuring the achievement of the objectives of the reform process, so that the General Conference could evaluate the whole situation and approve any further measures necessary to improve the impact and quality of UNIDO services.

19. His delegation had studied with interest the Director-General's proposals for improving UNIDO programmes through a strengthened focus and rationalization of activities. His delegation particularly welcomed the Director-General's proposals on the seven programmatic themes for the 1996-1997 biennium. UNIDO

should also have enough flexibility to render appropriate technical assistance or advisory services on request.

20. His delegation reaffirmed its total support for the UNIDO reform process and urged the Secretariat to use every possible opportunity to achieve the objectives of the reform process and improve the quality of UNIDO's services. The Secretariat should also further improve its efforts to increase transparency in the activities of the Organization through regular dialogue with Member States and better public relations.

21. He fully supported the statement made by the Chairman of the Group of 77.

22. **Mr. PUCCIO** (Chile) said that he warmly supported the declaration made on behalf of the Latin American and Caribbean Group. It should never be forgotten that the importance of the United Nations in constructing a better and more just world was based on its capacity for promoting conditions for peace; and the other name for peace was development.

23. It would be a grave error to reduce discussion to consideration of budgetary questions, however important they might be. In a world of rapid change, it was important to tackle the collective tasks that contributed to development, which required a sound basis in the transfer of capital, experience and know-how in order to increase the industrial capacity of developing countries and transform their societies. UNIDO had played an invaluable role in that process and should continue to do so.

24. The fifth session of the General Conference and the Yaoundé Declaration had marked the beginning of a new era for UNIDO, setting new targets for the Organization and adapting it to emerging world realities. The road since Yaoundé had not been an easy one and the efforts of the Director-General and the Secretariat had been made against a background of a changing and ever more competitive world, accompanied by new demands for services from the developed countries.

25. Chile noted with concern that the growing demands made on the international organizations were not matched by a willingness to provide the necessary funds. Indeed, the domestic situation in many countries had led to a petty attitude towards contributions to such organizations.

26. He emphasized the relevance of UNIDO for industrial development; its knowledge and long experience should be used, and its structure and functions adapted to new global needs in conformity with the Yaoundé mandate.

27. His country therefore supported the difficult task assumed by the Director-General and the continuation of the reform process; UNIDO's operations and structures should be further refined so as to meet new challenges with increasingly efficient management in the context of zero growth.

28. He strongly supported decentralization of UNIDO so that the best possible use could be made of its resources for direct assistance to the recipient countries. In view of the need for greater efficiency and effectiveness in management, he supported the principle of a strengthened focus and the establishment of appropriate priorities in UNIDO's activities and programmes.

29. He agreed with the approach proposed by the Director-General in document IDB.14/13, with the seven priority programmatic themes together with the geographical and sectoral approaches, which established basic selection criteria for optimizing UNIDO's services. Mechanisms for design, evaluation, approval and financing should be simplified and clarified as far as possible by means of transparent, expeditious and less costly administrative processing of assistance programmes and their prompt implementation. Otherwise, the objectives of the projects requested might cease to be of relevance to the recipient countries.

30. **Mr. MAZILU** (Romania) said that the present debate was being held at a time of profound transformations occurring throughout UNIDO. Despite the major difficulties facing the Organization stemming from the structural changes, current resource constraints and unpredictable future financial inflows, the Director-General had succeeded in developing the main elements of the framework for reorienting the services of UNIDO and had introduced an improved management, thereby ensuring the implementation of the reform process, culminating in a new organizational structure and efficient operating procedures. Reforming the Organization was, however, a complex process, the full success of which depended on both donor and recipient countries.

31. His delegation appreciated the Director-General's efforts in defining a clear focus of the activities of the Organization and fully supported the proposals contained in that connection in document IDB.14/13. Unless strong international support was provided to complement the national efforts of developing countries, the developmental gap between those countries and the developed world would continue to widen.

32. Romania was willing to support UNIDO's efforts aimed at formulating programmes and projects for the economies in transition in Central and Eastern Europe

and for the newly independent States of the former Soviet Union, which would make it possible to meet priority needs in the development of market-oriented policies and institutions and in the areas of industrial restructuring, privatization, investment promotion and management, and entrepreneurial development.

33. His country's experience had shown that small and medium-sized enterprises formed an essential part of the industrial infrastructure and played a key role in economic development, being able to contribute to growth, employment, poverty alleviation and rural development. However, given their size and lack of expertise, they required assistance through an efficient institutional and policy framework to facilitate access to information, technological know-how and specialized skills. It was gratifying to note that UNIDO understood those requirements and in some areas was successfully supporting small and medium-sized enterprises through its technical expertise. UNIDO could and should continue its programmes and activities with a strong focus on such enterprises.

34. **Mrs. LAJOUS VARGAS** (Mexico) said that the current session of the Board should constitute a prelude to the next General Conference session, at which the achievements of the process of reform and revitalization of UNIDO would be assessed. In the new global environment, the demand for and nature of the Organization's services were changing, and it was necessary to adapt UNIDO to those changes. The development of industry, as an engine of growth and the basis of socio-economic development, was still a priority aim to which maximum efforts should be directed. Her delegation confirmed its support both for the Organization and for its reform process, and was deeply concerned by the view expressed in some quarters that industrial development had ceased to be important to the developing countries. Such an affirmation was baseless. Indeed, in Mexico the redefinition of industrial policy had assumed a fundamental role in the new development strategy.

35. Her delegation felt that document IDB.14/13 made a significant contribution along the lines defined by Member States, and supported the planned concentration of activities with an interrelated geographical, sectoral and thematic focus and the attempt to achieve improved quality of services as part of a process of gradual change, with the establishment of a service management process incorporating all UNIDO projects into the screening, review and approval process. It would also be beneficial to include an evaluation phase in that exercise.

36. Important results of the reform process included greater specialization in terms of the number of directly supported subsectors, increased importance attached to cross-sectoral issues, leading to a change in the nature of UNIDO's services and an adjustment of available expertise, and also the shift in the main clientele towards small- and medium-scale industries. In that connection, she was pleased to report that two of Mexico's largest associations of industrialists had strengthened their cooperation with the Organization.

37. Her delegation considered that the criteria for the prioritization of subsectors outlined in document IDB.14/13 were fully in line with the developing countries' requirements. Mexico supported the focusing of UNIDO's efforts and resources on the 32 subsectors selected, and approved the seven programmatic themes in their modified form.

38. Regarding the implementation arrangements, efforts should be made to achieve increased participation by recipient countries at the various stages and a greater *rapprochement* between the operational areas and the permanent missions in Vienna. Her delegation was pleased to note the new approach to project evaluation, which was now aimed at assessing the effects of the Organization's activities at the thematic and sectoral levels. Mexico also welcomed the idea that, in future bienniums, programme performance reports should indicate the substantive achievements under the seven themes by component, including contributions made by the different funding sources.

39. With regard to the revised draft medium-term plan, 1996-2001, her delegation supported the recommendation made in decision IDB.13/Dec.14 that the medium-term plan be renamed the "medium-term programme framework". It also agreed that the coverage of the plan should be reduced to four years. That would bring it more into line with the Programme and Budget Committee's calendars.

40. **Mr. GORELIK** (Russian Federation) said that the Russian Federation still saw UNIDO as the main body within the United Nations system responsible for coordinating the promotion of industrial development, and had noted with satisfaction the increased cooperation between UNIDO and the economies in transition in their endeavours to restructure their industrial potential. The Russian Federation was interested in participating in developing cooperation with the Organization in regard to the restructuring of the country's industry and investment promotion at the national and regional levels.

41. With regard to the measures taken by the Organization to define its priorities more clearly and to strengthen the focus of its technical cooperation programmes, his delegation hoped that greater care would be exercised in the choice of programmes and in project selection. Unfortunately, there were still cases of projects

taken up on the basis of requests that had not been fully worked out or even without the relevant agencies within the Member States concerned being notified.

42. In his delegation's view, the measures adopted to improve UNIDO programmes through a strengthened focus, as outlined in document IDB.14/13, generally constituted an adequate response to Member States' requirements. UNIDO should, however, consider where its comparative advantages lay and should cut back on resources allocated for administrative programmes.

43. His delegation agreed that the geographical focus of UNIDO should be on the developing countries in Africa and on the least developed countries (LDCs). It also supported the thematic focus, which, it believed, reflected the overall view of Member States regarding the priority direction of the Organization's activities. It was important to ensure that those activities balanced the needs of industrial efficiency with the principles of social participation, environmental stability and human resource development. With regard to the sectoral focus, his delegation noted with satisfaction that the number of sectors on which UNIDO would concentrate its efforts had been reduced considerably. It was only by discontinuing the less important programmes that the Organization's resources could be channelled effectively.

44. His delegation felt that the description of the implementation measures and follow-up action, as appearing in section V of document IDB.14/13, constituted a very general and vague outline, from which it was not possible to assess how effective they would be in practice. Might not the mechanism described simply become yet another bureaucratic initiative? However, the more stringent procedures envisaged for the screening of proposals and requests for UNIDO's services and the proposed criteria for project approval (IDB.14/13, paras. 163 and 164) were commendable.

45. With regard to the staff structure, his delegation was dissatisfied with the Director-General's efforts to redress the imbalance in the geographical distribution of posts within the Secretariat. According to document IDB.14/8, paragraph 31, only six of the 12 vacancies advertised since November 1994 had been filled by candidates from underrepresented or unrepresented countries. That contravened decision IDB.13/Dec.2. He would like an explanation of the rationale in that regard and an indication of how the Director-General intended in the future to implement Member States' decisions concerning the equitable geographical basis of recruitment. Some overhauling of the personnel services was, in his delegation's view, called for.

46. Finally, his delegation was disturbed by the United States delegation's confirmation at the previous meeting of its intention to reduce its contributions to UNIDO's budget in the current and following years. That would regrettably mean greater economies and probably a reduction in programmes, and would make the process of UNIDO's reform more difficult.

47. **Mr. MARCHAN** (Ecuador) said that his delegation fully associated itself with the remarks made at the current session by the representatives of the Group of 77 and the Latin American and Caribbean Group, but was deeply concerned by remarks made by other speakers regarding reductions in financial resources. Such reductions would have a negative impact on the Organization and constitute an additional obstacle in its reform process.

48. UNIDO was currently passing through a very important period in its history. The international environment had changed, and the circumstances of some countries were different from those that had existed a few years previously. The Organization had been able to respond to the new international economic challenges by initiating and pursuing, since the fifth General Conference session, a process of reforms with the political and financial support of all Member States. The reasons that prompted the establishment of UNIDO were today just as valid as in the past, particularly since the technological gap between the developed and the developing countries had widened considerably and the industrial requirements of the developing countries grew ever greater.

49. His delegation agreed with those speakers who had requested that the Director-General present a report to the sixth General Conference session on the results of the reform process, including the seven programmatic themes that would constitute the focus of UNIDO's activities in the 1996-1997 biennium, on the basis of the criteria to be approved at the current session of the Board.

50. **Mrs. ROZGONOVA** (Slovakia) said that her Government welcomed UNIDO's proposals contained in document IDB.14/13, which should lead to substantial improvements.

51. Her Government believed that the reform and revitalization measures taken by the Director-General were in line with the Yaoundé Declaration and hoped to see further improvements in administration and management and also in the priority areas. As a country with an economy in transition, Slovakia hoped that it could count on UNIDO's technical cooperation in many important areas connected with its restructuring. Her country was also ready to assist the developing countries and strengthen its role in UNIDO as a donor country. A joint programme for cooperation between UNIDO and

Slovakia had been set up at the beginning of the year; it was being carried out by two Slovak centres financed from voluntary contributions to IDF and would offer the developing countries opportunities for specialized education in basic industries.

52. Her Government had stressed the need for a high-level meeting to support industrial development throughout the world, and welcomed the decision taken by UNIDO and the Government of India to organize a global forum on industry in October 1995 with a view to highlighting the role of, the trends in and the prospects for industrial growth based on global economic development.

53. Her Government realized that the reorganization and revitalization of UNIDO was a painful and complex process but it was confident that UNIDO would be transformed into an efficient organization providing high-quality services to Member States. It fully supported the Director-General's efforts to fulfil the mandate given to him by the Member States of UNIDO and looked forward to his report to the sixth session of the General Conference on the results of the measures he had taken.

54. **Mr. KSENTINI** (Algeria), speaking on behalf of the African Group, said that the Group had been pleased to note that the new concept developed by UNIDO in its new structure was in line with the wishes expressed by the African countries during the past few years and that the commitments made by the Director-General at Yaoundé had been respected. It hoped that UNIDO would be provided with the assistance and encouragement it needed to implement the Yaoundé Declaration further.

55. The African Group supported the proposal concerning the elimination from the Constitution of the 6 per cent regular budget ceiling for technical cooperation activities (see document IDB.14/6, para. 34), which should help to introduce sufficient flexibility into the budget to enable the Secretariat to strengthen technical cooperation activities.

56. It supported the proposals to strengthen UNIDO's field representation and those proposals concerning the programme and budget for 1996-1997.

57. It congratulated the Secretariat on the innovations introduced into the Annual Report to allow for a better understanding of UNIDO's activities and programmes. It believed that efforts should be continued to further improve the presentation of UNIDO's main priority areas and objectives, which must be in line with the expectations of Member States. It trusted that the new programme would be drawn up in the light of UNIDO's financial and technical capacities. It recognized the efforts made since December 1993 to give new impetus to technical cooperation activities. It also suggested that more attention be given to the coordination of activities undertaken by more than one division or unit of UNIDO. It hoped that the Director-General would guide his staff in responding to such suggestions; their intention was to help improve the quality of the services rendered to Member States.

58. With regard to UNIDO's financial position, the African Group called upon Member States to honour their financial commitments to the Organization so as to enable it to meet the objectives set for it by its governing bodies.

59. Bearing in mind the importance of investment flows in private sector development and UNIDO's role in promoting the mobilization of funds for that purpose, it supported all efforts made by the Director-General to give the necessary priority to the creation of investment promotion services in developing countries, thus allowing investment networks between developing and developed countries to be established.

60. The African Group supported the provisional agenda proposed by the European Union for the sixth session of the General Conference.

61. It welcomed the useful information provided by the Director-General concerning implementation of the programme for the Second Industrial Development Decade for Africa (IDDA). It hoped that UNIDO would receive more pledges from donor countries and wished to request the Director-General to accord high priority to achieving the objectives set for the Second IDDA, where necessary by reinforcing the staff of the Secretariat.

62. The African Group fully shared the views expressed by the Group of 77 concerning the report of the Commission on Global Governance. The issue raised concerned the very existence of UNIDO, which the African Group considered to be one of its best partners. At its meeting held from 6 to 8 June 1995, the Conference of African Ministers of Industry, reaffirming the fundamental role of industrialization in the economic and social development of African countries, had declared that UNIDO had a vital role to play in the process of industrialization. The Ministers had expressed their concern about the suggestion in the report of the Commission on Global Governance that UNIDO should be closed down, which was contrary to the spirit of the Yaoundé Declaration, and they had encouraged the Director-General to continue and intensify his efforts towards the industrial development of Africa.

63. The African Group wished to thank those countries that were providing financial and political support to UNIDO. It would continue to speak in favour of UNIDO's continued existence during forthcoming conferences, including those of the non-aligned nations, the United Nations General Assembly, the Ministerial Symposium on the LDCs to be held in November/ December 1995 and the sixth session of the UNIDO General Conference.

64. **Mr. SÖLENDIL** (Turkey) said that the Yaoundé Declaration had endorsed the objective of the reform of UNIDO to meet the challenges of the changing world economic environment and had indicated new priorities. He commended the Director-General for his efforts to focus the Organization's activities on certain areas, and for the improved presentation of the latest Annual Report. He expressed his full support for the dedicated staff of UNIDO who had gone through a difficult period and had to face an uncertain future while the reform and reorganization process was under way. He agreed that the year 1994 had shown an overall recovery in the world economy with a sharp increase in gross domestic product (GDP). However, that increase was unevenly distributed among the different regions of the world; the problems of the least developed countries and the unique social problems of Africa still had to be faced. In addition, serious new problems linked to growing liberal trends in economies must be tackled by UNIDO.

65. Since the first half of 1980, his country had embarked on a broad liberalization process which had now culminated in the adoption of measures of strict adherence to the principles of a market economy, including the liberalization of international current and capital transactions, the promotion of the competitiveness of exports and the restoration of stability on financial markets. It believed that those policies constituted the basis for achieving industrial competitiveness. Developing the private sector and achieving certain standards in industrial technology and trade could enable a country to become competitive.

66. The function of UNIDO had changed, and the Organization could now serve as a centre of excellence to create human resource capacity and technology for industrial competitiveness, and as a data bank for investors seeking projects in growing economies. Both the developed and the developing countries had their part to play in that new context. His country believed in and supported such interaction and in fact had long been both a recipient and a donor in UNIDO. It had provided training for experts from the least developed countries and recently set up an investment promotion centre in Istanbul. Turkey was now close to European standards of economy and trade and was ready to continue to support UNIDO for the benefit of both the developing and the developed countries.

67. While supporting the Director-General's efforts to improve UNIDO's programmes, Turkey continued to be concerned about the working methods of the UNIDO Secretariat. A great deal of time seemed to be lost on account of lengthy legal and financial procedures, departments continued to operate independently of one another and there was still a need to delegate authority to competent junior staff members. Regarding the financial situation, it was very difficult for the Secretariat to interpret the programme and budget for 1996-1997 in financial terms, and Turkey called for the financial support of all countries, developed and developing, to enable UNIDO's programme for the next biennium to be drawn up.

68. He supported the changes made in the organizational and staff structure and in UNIDO programmes in the hope that his comments would be taken seriously into account and that the necessary adjustments for the more effective functioning of the Organization would be made.

69. **Ms. HASAN** (Pakistan) said that her delegation welcomed the introduction of a process of reform and reorganization in UNIDO and the adaptation of the Organization's policies to changing demand patterns. While recognizing that the global environment for development was changing, her delegation continued to regard industrial development as a crucial instrument of social and economic progress, particularly at the present time for countries which required assistance in coping with the forces and pressures generated by the movement towards regional and global economic integration, and those countries that had simply been left behind. Her country attached the greatest importance to technical cooperation, the acquisition of new technology and access to information on technology and investment promotion opportunities, and recognized the growing importance of small and medium enterprises. Expertise was required in all those fields and in new areas such as those of environmental compatibility, energy and the qualitative improvement of industrial products.

70. Like other developing countries, Pakistan had given priority to strengthening the private sector through privatization, deregulation and direct foreign investment, in all of which areas it required advice and assistance. Studies made by UNIDO had shown that the resources of developing countries remained under-utilized because of the lack of technical know-how, equipment and expertise, in addition to socio-economic factors. UNIDO's

role as an honest broker thus assumed greater importance, but it was also important that UNIDO should provide expertise of a high calibre, based on a genuine understanding and appreciation of local conditions. In general, her delegation supported the proposals set out in document IDB.14/13.

71. Finally, while welcoming organizational restructuring, she believed it equally important to ensure equitable geographical representation in the Secretariat, especially at the higher Professional levels, and hoped that the Secretariat would take that point into account in future staff recruitment.

72. **Mr. SHUNGLU** (India) said that the whole United Nations system was passing through a period of crisis and that all the problems involved required to be dealt with in a comprehensive manner. His delegation fully supported the view that UNIDO should be enabled to play its full part in promoting the industrial development of the developing countries, and that renewed efforts should be made to strengthen its role and functions. The importance of UNIDO's role in the field of industrialization had been reaffirmed at the fifth session of the General Conference, when Member States had pledged their financial, political and technical support to the Organization to enable it to carry out its important tasks. Since then, UNIDO had carried out major structural and organizational reforms and introduced new measures to improve project cycle management and ensure quality, measures that were unique in the United Nations system.

73. The developing countries urgently required assistance in tackling the new challenges of environmental sustainability, industrial restructuring, private sector development, small, medium and rural industries and agro-industries, industrial competitiveness and the acquisition of technology. India regarded industrialization as a crucial component of any strategy for economic development, and essential if developing countries were to tackle the major problems of poverty, unemployment and income distribution adequately. Industrialization would also increase trade between the developing and the developed countries and contribute to boosting employment in the North as well as the South.

74. Unfortunately, however, the developing countries had not made great progress in industrialization. Some countries had improved their position considerably but the vast majority still faced difficult problems, arising from painful structural adjustment measures, lack of resources, lack of competitiveness and the challenge of environmental sustainability, not to mention restructuring and private sector development. Document IDB.14/13 sought to reconcile the resource and technical constraints of UNIDO with the increased demands for its services from the developing countries and economies in transition. His country appreciated the efforts made to focus UNIDO's programmes and activities on seven themes which it considered represented the minimum which UNIDO must be able to provide. It welcomed the implementation mechanisms and follow-up action described in chapter V of document IDB.14/13 and the clear indication that the reform process would be pursued vigorously and effectively.

75. It agreed that priority should be given to Africa and the LDCs in other regions but also considered that UNIDO should pay adequate attention to the needs of the Asian region, particularly as regards programmes and activities likely to make an impact on poverty or to meet basic human needs. India supported the industrialization of African countries and regarded its contribution as an important factor in strengthening economic relations between Africa and the rest of the world.

76. While welcoming the progress made in the reform process, India was concerned to note that the level of resources available to UNIDO had been declining. The commitments made in the Yaoundé Declaration to extend financial and political support to UNIDO appeared to be fading. Apart from an apparent lack of willingness to make voluntary contributions, there were signs that even assessed contributions might not be forthcoming. His country was deeply concerned by that development; it believed that UNIDO deserved better. Even modest resources spent on industrial development could yield great dividends in terms of economic growth and employment. It was to be hoped that Member States, and in particular the donor community, would respond positively to UNIDO's needs instead of calling into question the entire basis of contributions to organizations of the United Nations system.

77. **Mr. BAJOWA** (Nigeria) said he fully shared the views expressed by the spokesmen for the African Group and the Group of 77 in support of UNIDO. His country had noted the efforts made by the Director-General to reform and reorganize UNIDO and welcomed the information contained in document IDB.14/13.

78. The world was going through a period of great anxiety. Despite improvements in the world economy, many countries, including African countries, had to face great challenges. They believed UNIDO's role in their industrial development to be indispensable and consequently remained firm in their support for the Organization and would continue to take action to provide UNIDO with the means it required to meet the challenges set out in the Yaoundé Declaration. At their recent meeting in Botswana, the African Ministers of

Industry had affirmed their support for UNIDO, and it was to be hoped that the current Board session would enhance UNIDO's role in African development.

79. His country was satisfied that UNIDO's mandate had not been eroded in the process of reform and restructuring. Financial implications of those efforts had been addressed with vision, reinforcing confidence in the Director-General's leadership. Nigeria was confident that Member States would not deny UNIDO the support it required to complete the process.

80. His country supported UNIDO's thematic focus as set out in document IDB.14/13, paragraph 29, and the seven programmatic themes set out in paragraph 30. It had always recognized UNIDO's role in developing small and medium enterprises and hoped that that role would be further strengthened, especially with regard to industrial strategy, advisory and institutional support and the fostering of private sector development, including the capacity to design and implement effective privatization policies and programmes. It welcomed the establishment of new UNIDO investment promotion services in developing countries.

81. His delegation would welcome further clarifications on the sector-wide programme. While supporting cooperation in hazardous waste management, it suggested that such cooperation be carried out in close collaboration with existing national institutions, such as its own Federal Environmental Protection Agency.

82. His delegation did not consider it appropriate to give low priority to the areas of which examples were given in paragraphs 24 and 25. Those areas were the ones in which his Government and those of other countries in its subregion were encouraging private enterprise and he hoped that the areas of priority listed in paragraphs 24-27 could be reviewed with a view to making them more relevant to the developmental needs of the developing countries.

83. His delegation fully endorsed the proposals made concerning implementation mechanisms and follow-up action in paragraphs 161-168 and called for strong financial support for the programmes.

84. **Mr. Seung Kon LEE** (Republic of Korea) said that UNIDO seemed to be facing a challenge to its own existence. The recent report of the Commission on Global Governance had questioned the relevance of industrial assistance in a changing environment, and had recommended the possible closure of UNIDO. At the same time, the Halifax Summit of the Group of Seven had affirmed its readiness to consider the roles of certain institutions, including UNIDO, as a part of the United Nations reform process. The Republic of Korea supported the reform of the United Nations system, but since UNIDO was one of the first organizations in the system to be implementing a reform process its relevance and effectiveness should be assessed by its Member States themselves in a forward-looking manner. Industrialization remained the key to the social and economic development of the developing countries, and in that context his country fully supported the position of the Group of 77 that the role and function of UNIDO in assisting three quarters of humankind were more valid than ever.

85. The Republic of Korea welcomed what the Director-General had done since the fifth General Conference session to streamline UNIDO's structures, improve its management and administration, and redefine its priorities and focus, and considered that UNIDO was moving in the right direction. The Director-General deserved further encouragement from Member States in his efforts to make the Organization more relevant and better equipped to face the emerging challenges and demands. More attention should be paid to Africa and to the LDCs. The Director-General should ensure that UNIDO's horizontal priority programmes, such as human resource and private sector development, were adequately integrated into its substantive activities, and some of the implementation mechanisms, notably the work of the Programme and Project Review Committee, should be improved. Efforts had been made to fill managerial and lower-level posts on a wide and equitable geographical basis; while the highest standards of efficiency, competence and integrity should be maintained in recruitment policy, due consideration should continue to be accorded to candidates from countries that were underrepresented in the Secretariat.

86. The Republic of Korea supported the revised draft medium-term plan, 1996-2001, although it remained to be seen how UNIDO would be able to allocate its limited resources for the delivery of specific services in the context of such a broad framework. With regard to priority areas, those that were most crucial to the developing countries were the enhancement of international competitiveness and the promotion of human resource development: the latter had proved to be the very basis for the drive by some rapidly growing economies towards industrialization, and the international competitiveness of industry should be enhanced by helping to promote greater participation by the private sector, particularly small and medium-sized enterprises, with a bigger flow of foreign investment and technology.

87. **Mr. HALPHEN** (Observer for Panama) said that the current session of the Board was crucial at a time when the Organization's very existence was being questioned, even in the press. Since the autumn of 1993, his Government had tried by all possible diplomatic means

to obtain answers to its legitimate, written questions regarding the UNIDO Country Director programme and regarding the staff reduction of 1993, including its real cost, ultimately met by the Member States of UNIDO. Unfortunately, the Director-General of UNIDO had not acted in a manner acceptable to the Permanent Mission of Panama or to its Ministry of Foreign Affairs; faxes and letters from the Ministry and from at least one of Panama's ambassadors accredited in Europe had not been answered. The Head of the Permanent Mission had not, in December 1993, been informed by UNIDO of the true situation regarding the communications received by it from the Ministry of Foreign Affairs of Panama. In 1994, as if to emphasize to his country that it was still not considered important by UNIDO, a project of great value and potential for its industrial development, to have been funded by UNDP, had been undermined within UNIDO, for reasons that were unknown but suspected, by someone to whom the Director-General had given authority, but without his insisting on a follow-up consonant with good management.

88. Bearing in mind that Panama, at great sacrifice and to the detriment of its social debt, had paid its assessment to UNIDO in full in the summer of 1994, his delegation believed that the negative aspects of the sequence of events since 1993 could easily have been avoided if the Director-General had exercised basic diplomacy instead of producing situations of confrontation, and had spoken with clarity instead of remaining silent, thus obfuscating the reality of the situation. In order to give a tangible example of the reasons for his delegation's position, he would mention some of its Government's concerns when agenda item 5 was taken up.

89. **Mr. EL GAILANI** (Sudan) said that great political and economic changes had taken place in the world in the two years since the Yaoundé Declaration which presented many challenges and required continued activity on the part of UNIDO. Commissions had emerged which presented additional challenges to UNIDO if it wished to retain its specificity as an organization. There was a conspiracy which undermined UNIDO's very existence, and which could lead to its disappearance or to its merger with other organizations. UNIDO was at a crossroads, but the Sudan was convinced that Member States would be able to deal with what were temporary difficulties by taking the necessary decisions. The Sudan reaffirmed its commitment to the goals and priorities set by the Yaoundé Declaration, which had to be translated into tangible action.

90. The Sudan endorsed the seven programmatic themes set out in document IDB.14/13, and appealed to Member States to be aware that industrial development needed financial and political support. The Director-General had put all his energy into the reorganization and transformation of UNIDO, which had achieved spectacularly swift reforms compared with what was happening in some other organizations. There was still a need for geographical distribution within the restructuring process at various levels. The Sudan's close cooperation with UNIDO would continue. His country was pursuing its industrial development policy on the basis of free-market principles, promoting investment and enhancing the link between industry and agriculture, which would bring in foreign currency as well as increase agricultural yield, with, as a consequence, an immediate effect on industrial development and the level of social well-being. Finally, the Sudan endorsed the statement made by the representative of the Group of 77.

91. **Mr. AKAO** (Japan) said that the recent Halifax Summit of the Group of Seven had confirmed that effective and efficient international institutions were important for all countries; mention had been made of a number of bodies and organs whose roles needed to be considered in the light of evolving challenges, and UNIDO had been specifically named. UNIDO had undertaken reform far ahead of other international organizations, and the goals of its reform process had to some extent already been achieved. Japan encouraged such initiatives, and urged the Director-General to coordinate them with reforms being undertaken elsewhere in the United Nations system. The reform process in UNIDO must be continued. Top priority for UNIDO services should go to clearly defined target countries, especially the LDCs and the countries of Africa, while the concept of graduation from UNIDO services for middle-income countries should be promoted. Services to the latter countries should be provided through extra-budgetary resources, as was the practice with economies in transition. The further prioritization of activities and shifting the emphasis to upstream activities should be encouraged, and the Director-General's plans for a sectoral and thematic focus represented a welcome step forward. However, it was very difficult to visualize how the new policy framework would contribute to the improvement of UNIDO's programmes, and his delegation would be watching carefully to see how it was to be implemented. Further streamlining of the management of the Secretariat was essential. The elimination of all five Deputy Director-General posts had been most

welcome, and the possibility of reducing the number of Managing Director posts might also be explored. Now that the administration of conference services had been transferred to the United Nations Office at Vienna, it might be appropriate to include a comprehensive review of the building and restaurant management in any further rationalization.

92. It was Japan's firm belief that the reform of UNIDO had to be accompanied by the full discharge of obligations by all Member States, for without timely payment of assessed contributions the Organization's operation and effective management would be seriously impaired. However, UNIDO should adapt itself to financial realities in order to advance further reform. As necessitated by budgetary constraints, and through reform measures, UNIDO could become more responsive to the changing needs of its Member States.

93. The Government of Japan did not associate itself, at least at the present moment, with suggestions from some quarters that UNIDO should be terminated. It had played and continued to play an important role in the promotion of industrialization in developing countries, and for that reason Japan had supported UNIDO's activities through both assessed and voluntary contributions. The statement made by the representative of the United States of America at the previous meeting had been regrettable; Japan understood the difficulties which the United States Administration was encountering *vis-à-vis* Congress, but they did not justify any delinquency in the payment of assessed contributions. Indeed, at the recent Summit of the Group of Seven, President Clinton had associated himself with other leaders in calling upon all Member States to meet their financial obligations. To penalize a particular organization that was already in the process of reform — indeed at the forefront of reform within the United Nations — would have a strongly adverse effect, and act as a disincentive to other United Nations organs and bodies which should be encouraged to continue with reforms. It should not be forgotten that it was the Member States which changed or approved the policies and budgets of UNIDO, and that the success of its further reform would be a reflection of their own abilities to be reform-minded, rather than of their being prepared simply to await initiatives from the Director-General.

94. **Mr. SUWANDI** (Observer for Indonesia) commended the Director-General for the information provided in document IDB.14/13, and said that the thematic, geographical and sectoral focuses set out therein could serve as priority guidelines in the selection and rendering of technical cooperation projects and other UNIDO services for the next biennium. The present guidelines for the management of UNIDO services could be supplemented with the three focus guidelines. His delegation agreed with the proposal that the medium-term plan, 1996-2001, be renamed the "medium-term programme framework", since it constituted the principal framework for the biennial programme; Indonesia also supported the proposal that its time coverage be reduced to a period of four years. Finally, he expressed his support for the statement made by the representative of the Group of 77.

95. **Mr. KASSIM** (Observer for Malaysia), speaking on behalf of the Asian Group, expressed support for the process of reform and revitalization within UNIDO, and for the remarks made by the Chairman of the Group of 77 on the importance of industrialization for development and on the crucial role of UNIDO within the United Nations system in promoting industrialization. He said that he shared the common concern regarding the payment of assessed contributions, which were crucial to the smooth implementation of UNIDO's programmes, and he appealed to all Member States to fulfil their obligations under UNIDO's Constitution.

The meeting rose at 6 p.m.

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Industrial Development Board

Fourteenth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 27 June 1995, at 10 a.m.

President: Mrs. LAJOUS VARGAS (Mexico)

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The meeting was called to order at 10.20 a.m.

UNIDO POLICY FRAMEWORK — ORGANIZATIONAL AND STAFF STRUCTURE *(continued)* (IDB.14/13, IDB.14/8, chap. IV; IDB.14/CRP.4)

MEDIUM-TERM PLAN, 1996-2001 *(continued)* (IDB.13/19)

1. **Mr. FABIJANSKI** (Poland) thanked the Director-General for his introductory statement and welcomed the new format of the Annual Report. His delegation supported the Director-General's efforts to bring about the major changes required in UNIDO's management and structure under the Yaoundé Declaration. At the twelfth session of the Board, Poland had expressed the intention of assessing UNIDO's performance and determining its policy towards the Organization on the basis of certain criteria, including UNIDO's international credibility, the quality of and demand for its products, the commitment of its staff and its financial situation.

2. In the period between the present session and December 1995, which would be the most critical in UNIDO's history, a well-documented report on the results of the implementation of the reforms should be prepared for Member States. In that regard, his delegation would support steps to establish a detailed list of criteria for measuring the attainment of the objectives set forth in the decisions of the fifth session of the General Conference. It also favoured the preparation of a timetable for the further implementation of those objectives. Any unnecessary extension of the reform objectives should be avoided. The task of the Secretariat was difficult in the present international climate — recently the very *raison d'être* of the Organization had been questioned. His delegation believed that the final assessment of the need for UNIDO to exist should be made by its own governing bodies.

3. He welcomed the Director-General's proposals for improving UNIDO programmes (IDB.14/13). His delegation noted the intention to outline further work on priority objectives envisaged in the context of the draft programme and budget for 1996-1997. Some prioritization was already evident in the draft, although blurred by the traditional structure of the budget. Selecting seven programmatic themes for activities in 1996-1997 was an important step towards strengthening UNIDO's focus. His delegation would like more information about the implementation mechanisms and the involvement of different organizational units.

4. His delegation generally approved the geographical focus of the Organization's work and it noted the intention to increase the share of those countries in UNIDO's total technical cooperation delivery at the regional and country levels. The formulation of paragraph 17 of the Director-General's proposals left much scope for activities relating to the economies in transition of Central and Eastern Europe. The proposals concerning the regional focus of UNIDO's activities submitted by Japan to the Programme and Budget Committee at its eleventh session had much to recommend them, for example the application of graduation to technical cooperation services, and should be given appropriate consideration.

5. His delegation realized that the complexity of the sectoral focus of UNIDO's activities explained to some degree the fact that subsectoral prioritization was still a task for 1996-1997. It agreed that the selection of subsectors should be closely linked to the seven programmatic themes described in the Director-General's proposals. Theme 1 was of paramount importance for the developing countries. He hoped that the services of UNIDO would not duplicate the work of other organizations promoting enhanced competitiveness. Services related to the theme of environment and energy also required careful cooperation with other organizations. Poland welcomed the fact that small and medium enterprise development, quality management, enterprise restructuring and rehabilitation and investment promotion were among UNIDO's priorities.

6. In conclusion, he stressed the paramount importance of the implementation process and its mechanisms. His delegation found the criteria for project selection enumerated in paragraph 163 of the Director-General's proposals satisfactory. It hoped that the contradiction between increased objectivity in screening proposals or requests for UNIDO activities and maximum project cycle efficiency would be systematically lessened.

7. **Mr. EZZAT** (Egypt) expressed his delegation's approval of document IDB.14/13, and in particular paragraphs 166 and 167, which responded to the requests made by his delegation at the ninth and tenth sessions of the Board. Before the next session of the General Conference it was necessary to clarify the criteria on which the priorities for certain subsectors were based and the relationship between geographical priorities and the budget for 1996-1997, especially with respect to the human resources allocated to the Industrial Development Decade for Africa.

8. Member States should have an opportunity to voice their views at the present session of the Board on the recent developments in UNIDO's financial situation. He

endorsed the statements made on behalf of the Group of 77, the African Group and the European Union on the need for Member States to meet the commitments set forth in the Yaoundé Declaration. All Member States must pay their assessments promptly to enable UNIDO to continue to carry out its tasks.

9. He supported the request by the Polish representative for a full report on the reform process in UNIDO.

10. **Mr. HOBEICA** (Lebanon) congratulated the Director-General on his introductory statement and expressed his delegation's support for the action which the Director-General proposed to take. UNIDO was providing an essential service to developing countries, since industrialization was vital for lasting development. It was therefore important to strengthen the Organization by every means available.

11. Document IDB.14/13 explained the efforts made by UNIDO to spell out the geographical, sectoral and thematic dimensions of its activities in relation to the process of reform. His delegation welcomed the change in the Organization's focus from public enterprises to small and medium-sized enterprises. It agreed with the Director-General on the need for the private sector to play a permanent part in industrialization through foreign investment and on the need for full cooperation between the developed and the developing countries. With regard to the sectoral aspect of UNIDO's programmes, his delegation stressed the importance of providing assistance in the management of toxic waste in developing countries, and of placing emphasis on proper water management and the prevention of pollution. That was a subject of particular concern in the Middle East, which suffered from a permanent shortage of drinking water. In conclusion, he drew attention to the importance of UNIDO's work on the promotion of investment and technology.

12. **Mr. VELAZCO SAN JOSE** (Cuba) stressed the importance of the present session of the Board, which was taking place at a time when the future of UNIDO — the only United Nations body which sought to reduce the imbalance in world industrial development — was being questioned. Yet the situation of the developing countries was that resources, funding and access to new technology were still distributed inequitably. His delegation therefore resolutely supported UNIDO and was confident that it would continue to help achieve the aims for which it was set up.

13. His delegation approved the geographical, sectoral and thematic approach to UNIDO's work set out in the Director-General's proposals (IDB.14/13). It was more necessary than ever for the Organization to concentrate on the industrialization of countries which needed that most and, in doing so, adhere to its sectoral and thematic priorities.

14. With regard to UNIDO's financial situation, his delegation believed that the allotment of resources to programmes should be selective and that a reserve fund should be constituted from savings made in 1995, to be used in the next budget period if necessary. It also favoured the temporary suspension of regulations 4.2(b) and (c) of the financial regulations in order to allow use to be made of the unutilized balances from the 1992-1993 budget. With respect to the Director-General's proposals for the medium-term plan, 1996-2001 (IDB.13/19), his delegation endorsed conclusion 94/6 adopted by the Programme and Budget Committee at its tenth session.

15. Referring to the Halifax meeting of the Group of Seven, he believed that all countries saw the need for far-reaching changes in the United Nations system. His delegation welcomed the fact that UNIDO had been one of the first organizations in the system to initiate that process. It did not agree that UNIDO's role should alter in the light of current challenges and he therefore endorsed the statement of principle made on behalf of the Latin American and Caribbean Group the previous day. In conclusion, he expressed his Government's satisfaction at the results of the recent visit to Cuba by the Director-General.

16. **Mrs. SPILLMANN-STEIB** (Switzerland), commenting on document IDB.14/13, said that her delegation believed that the reform process was on the right path but should proceed faster. Three priorities had been agreed upon at the fifth session of the General Conference, whereas the document listed seven programmatic themes. Although the document indicated different degrees of priority, the list contained many activities that were not directly linked to the development objectives that had been formulated. In her delegation's view, priorities should be selected carefully in relation to UNIDO's advantages compared with those of other multilateral institutions. For example, in connection with theme 1, the document mentioned that UNIDO would conduct subsectoral studies of the impact of trade liberalization on patterns of competitiveness. In her delegation's view, activities of that kind should be undertaken by the United Nations Conference on Trade and Development or the World Trade Organization. UNIDO should concentrate on investment promotion, the transfer of technology and environment and energy programmes, in order to further the objectives of poverty alleviation, industrial development and the development of the private sector. The document did not make the case for UNIDO's role as against that of other multilateral organizations. To avoid duplication and

achieve a rational division of labour among them, her delegation would welcome a clear statement of UNIDO's true role so that the General Conference could take the appropriate steps in the matter.

17. Her delegation was prepared to participate in discussions aimed at finding a solution to the budgetary problem. It believed that international organizations would be best served if its members paid their dues fully and on time. The sixth session of the General Conference would be a turning-point for the Organization and the present session of the Board would be crucial for its success. The Board could be assured of her delegation's commitment to the Yaoundé Declaration and its support for the process of reform.

18. **Mr. AARDAL** (Norway) thanked the Director-General for his introductory statement. His Government supported the process of reform and would like it to be continued and intensified. The question of the reform of the United Nations system had been of central importance to his country for some time, as shown by the Nordic reform project launched some months previously. He endorsed the statement made by the representative of France on behalf of the European Union and noted with concern the statement made by the United States representative. The reasons for the attitude of the United States were understandable but in the long term it might damage the credibility of collective action in the United Nations. His delegation would take the United States message home to its colleagues working on other aspects of the United Nations system, since it might have an impact on the question of financing United Nations activities. The stand of the United States would doubtless raise the question of burden-sharing, an issue referred to by his Government and others in the United Nations itself. His delegation looked forward to the discussions which would take place at the sixth session of the General Conference. The session would be crucial to the future of UNIDO.

19. **Mr. CURIA** (Argentina) thanked the Director-General for his introductory statement, which set out the lines for the Board's discussion at the present session. With respect to the reform process, he urged Member States to show political will and make clear commitments to UNIDO. There was no room for ambiguity on that subject. His delegation endorsed the statements made on behalf of the Latin American and Caribbean Group and the Group of 77.

20. In the past two years UNIDO had been facing a series of problems, culminating in the present financial crisis. His delegation believed in the reform process and approved the idea of promoting industrialization at any stage of development. It endorsed the prioritization and sectoral and thematic focus of the Organization's activities, as well as the seven programmatic themes set out in document IDB.14/13. It also welcomed the initiative of engaging an outside consultant to provide an independent assessment of UNIDO's reforms. In conclusion, he endorsed the remarks of the Japanese and Swiss representatives concerning the need for assessed contribution to be paid promptly.

21. **Mr. ARGÜELLO HURTADO** (Nicaragua) approved the conceptual framework for UNIDO's activities, their geographical, sectoral and thematic foci and the examination of the reform process set forth in the Director-General's proposals (IDB.14/13). He earnestly hoped that the Secretariat would continue to enhance the efficiency of the services on offer and make good its promise to improve programmes.

22. With regard to the current crisis of the Organization, some representatives believed that it reflected the split in the United Nations between rich and poor, between organizations of interest to the industrialized countries and organizations that were expendable. In that context it should be realized that no country could be forced to belong to a particular body or to pay its contributions. Basically, United Nations agencies were voluntary groupings. Consequently, the Director-General had to make use of all available means of negotiating with donor countries in order to meet their desire for reform and thus induce them to continue to offer UNIDO their political and economic support.

23. It was generally agreed that an industrial promotion organization was needed; whether or not UNIDO fulfilled that role was the question. Some countries were resorting to the pretext of budgetary and political problems in order to withdraw their support from the Organization. The report of the Commission on Global Governance, which should not be taken lightly, did not deny the need for a trade and industrial production promotion organization; what it maintained was that UNIDO, as originally conceived, was no longer suited to the needs of the least developed countries — a pronouncement that did not amount to the Organization's death sentence. As long as no alternative could be discerned on the horizon, possibly in the form of an economic security council, UNIDO's existence continued to be justified. His own country could bear witness to the value of a well-qualified UNIDO expert. Indeed, some of its experts had very quickly risen to be ministerial advisers. Therefore the reform process should be carried forward with imagination and diligence, leading eventually to a new vision for a changing world.

24. **Mr. ARCILLA** (Philippines) said that the proposals by the Director-General in document IDB.14/13 indicated clearly the directions in which UNIDO should move and responded well to the

requirements of developing countries. The synoptic review of the reform process of UNIDO (IDB.14/CRP.4) included a section on how the reforms were to be evaluated and the progress indicators whereby the evaluation would proceed. The document lacked information on how the criteria would actually operate in the evaluation process; it was simply a list of topics that were to be addressed. The relative significance of each of the criteria must be determined. The focusing of UNIDO's services, and how that was reflected in benefits for Member States, was of extreme importance to developing countries. They were concerned about management practices, especially in respect of technical cooperation and finances, and placed much value on transparency in the Organization's work.

25. The use of a set of criteria to measure the reform process at various stages was essential. Unfortunately stocktaking of that kind, rather than a way of measuring real achievement, seemed to constitute a response to a concerted effort in some quarters to reassess UNIDO's so-called role, which was merely a euphemism for its existence. That advanced countries should be hesitant to assist the industrialization of least developed and other developing countries was incomprehensible, and that UNIDO should be confronted by financial uncertainties triggered by the obscure stance of the United States on its financial contributions was disheartening. The vagaries of domestic politics had affected the stance of other Governments on legal commitments, yet legal commitments they remained. As a developing country with meagre resources, the Philippines saw much value in multilateral cooperation and the instruments by which it was achieved. It therefore aimed to sustain its obligations and commitments, albeit with difficulty. It would pay its full contributions to the regular budget and the Industrial Development Fund for 1995 and hoped that other countries would do likewise.

26. With regard to the planned hiring of an international consultancy firm to conduct an independent evaluation of UNIDO, his delegation could see the value of an autonomous entity looking at all aspects of the Organization's work. The Board should exercise caution, however, in approving that course of action, given its financial implications. His delegation expected the Director-General to keep his promise regarding participation in the evaluation and the transparency of the results.

27. In regard to personnel matters, he reiterated his delegation's insistence on the need for balanced geographical representation in the Secretariat, particularly in senior posts.

28. **Mr. DE MARIA Y CAMPOS** (Director-General) expressed his satisfaction with the debate, in which the fundamental role of industrialization for the developing countries had been widely recognized, the need for industrial cooperation had been stressed and UNIDO's unique contribution to industrialization had been acknowledged. The Organization had undertaken a reform process without precedent. Indeed, a book recently published on utopias and the reform of the United Nations had used the case of UNIDO as its first example of a United Nations agency which had initiated and undertaken far-reaching reforms. It was important, though, to conceive such reforms within their proper context, namely as a means for more efficiently serving the developing countries in focused areas of assistance. At times he had the feeling that some Member States wished to cut that very capacity for assistance or even the assistance itself. Admittedly, all Member States had their own budgetary problems, constraining their ability to finance multilateral assistance. However, as had recently been noted, even various small African countries had paid their assessed contribution in spite of severe economic difficulties.

29. The representative of the United States had indicated his Government's intention to withhold payment of part of its assessed contribution. Although arrears would have to be paid by all countries concerned, it was very difficult for UNIDO to work under such major uncertainties. He therefore urged the United States to clarify its position with regard to UNIDO. He — and everyone else — certainly hoped that the United States would remain in UNIDO and every effort was being made to ensure that. It was of utmost importance that the United States continued to play its role in the Organization. Other Member States were therefore asked to express their support on that matter and for UNIDO in general and to make their views known at the highest level of the United States Government. In the same vein, he had himself met representatives of the Group of Seven prior to the Halifax meeting.

30. The United Nations in general and UNIDO in particular were not just an idea. They constituted the total joint efforts not only of the secretariat(s) concerned but also — and mainly — of all the Member States. The responsibility could not be placed only on the UNIDO Secretariat for proceeding with the implementation of the reform and programmes. It was the membership itself that bore the main responsibility. The Board should therefore at its present session clearly express its message to and support for the Secretariat. The Board was being asked to adopt the Programme and Budget for 1996-1997 for transmission to the General Conference. That notwithstanding, he would within that framework prepare contingency and realistic expenditure plans as

required. He needed, however, to be informed of the expected developments as rapidly and clearly as possible.

31. It was heartening to note that Member States fully appreciated the vigour with which UNIDO had reformed its structure and priorities. The Organization was in the vanguard of the reform process that was sweeping the United Nations system. He was determined to proceed swiftly with the steps that still remained, in a fully transparent manner and keeping Member States' permanent missions informed at every stage. A comprehensive summary of the impact of the reforms would be placed before the General Conference at its sixth session. He fully agreed with those representatives who had stated that it was the prerogative of Member States to evaluate the achievements of UNIDO. In that connection he welcomed the call made at Halifax to "consider the role of UNIDO in light of evolving challenges". He had given many examples of what the Organization was doing to meet present challenges and anticipate future industrial trends.

32. Turning to more specific issues, he recalled that the representative of France, speaking on behalf of the European Union, had addressed the mater of reporting to the General Conference at its sixth session on the impact of the reform process. On its own initiative the Secretariat had elaborated a range of indicators, one example of which related to measurable changes in the composition of projects in terms of thematic, geographical and subsectoral coverage as well as categories of clients and counterparts. A second example concerned the impact of UNIDO's enhanced quality assurance system on actual project design.

33. The representative of Chile had made some specific comments on the need to review experience on the new project design guidelines. The Secretariat was at present working on that issue and would present a paper before the sixth session of the General Conference.

34. The representatives of Nigeria and Egypt had expressed concern about the subsectoral focus of UNIDO, which was a highly complex issue. On the basis of UNIDO's assessments of overall demand and of UNIDO's own special capabilities in the context of activities undertaken by other entities in that field, the Secretariat had highlighted the subsectors on which main efforts and staff resources should be concentrated. Thereby, subsector criteria such as employment, technical innovation, the satisfaction of basic needs and export possibilities were taken into account. Also in other cases, though, assistance would be arranged, especially on broad issues such as environment, science and technology and investment promotion.

35. The representative of the Russian Federation had brought up the question of recruitment and geographical representation, referring in particular to the 12 cases mentioned in paragraph 31 of the Secretariat's report on personnel matters (IDB.14/8). Of those, six were from under- or unrepresented countries, while in the other cases the principle of geographical balance had been taken into account but could not finally be put into practice. It often happened that candidates from underrepresented countries were not available for a particular post. Every case had been carefully reviewed, but eventually candidates from countries within a reasonable range of representation had been recruited, with the single exception of a female candidate who had been promoted internally. In the last analysis, recruitment decisions had to be taken on the basis of the principles of effectiveness and serving the needs of Member States. A review of the recruitment process had recently been carried out, as it should be shorter, with vacancy notices being posted earlier in order to elicit a better response from capitals.

36. He had taken note of the comments made by the representative of the Philippines.

37. Finally, he expressed his appreciation to all representatives who had stated that UNIDO was on the right path. The representative of Japan and those of some other advanced countries had recognized that UNIDO was at the forefront of reform and that penalizing it would stifle reform elsewhere in the United Nations system. The Secretariat, with all its limitations, had done its utmost. Financial support from Member States had however not come up to expectations. Success depended on the availability of resources; the Secretariat could not perform miracles. There had to be transparency and accountability not only on the part of the Secretariat, but also on the part of Member States themselves. In conclusion he thanked in particular the Group of 77 and the Latin American and Caribbean, African and Asian Groups for their expressions of support.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1994 ON THE ACTIVITIES OF THE ORGANIZATION, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (IDB.14/10, IDB.14/10/Add.1 and Corr.1, IDB.14/10/Add.2 and Corr.1, IDB.14/10/Add.3; IDB.14/CRP.5)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1994 (IDB.14/14; IDB.14/CRP.1)

38. **Mr. DE MARIA Y CAMPOS** (Director-General), introducing agenda items 5 and 6, said the relevant

documentation showed that progress by UNIDO in reforming its technical cooperation activities was being carefully monitored. His report on technical cooperation activities (IDB.14/14), for example, provided information on measures to improve the quality of technical cooperation and on implementation of the guidelines for the service management process. The impact of the reforms would be clearly visible in the 1996-1997 biennium.

39. The further globalization and international competitive challenges in industry, the GATT agreement and the implementation of structural adjustment programmes had created pressure on countries to redefine their industrial strategies. Countries, particularly in Africa, expected to receive support in that endeavour from UNIDO. Palestine, Viet Nam, Kenya and Nicaragua, for example, were being given assistance in formulating their industrial development strategies. Valuable financial and other support had been received for those programmes, also from such countries as the Republic of Korea and Saudi Arabia.

40. The Organization was increasingly dealing with new issues such as privatization and restructuring. Regarding environment, it was not only responding to problems of environmental pollution but also seeking to assist countries in preventing them. Projects existed in several developing countries and economies in transition to create clean technology centres. Valuable contributions had been received from the United Kingdom, the Netherlands and Italy to support the new emphasis on small- and medium-scale industries. Numerous projects were being carried out in an area of great concern to developing countries, namely, improvement of competitiveness. The demand for such services was huge.

41. The Organization had been adopting a different, more proactive approach in respect of investment promotion. In addition to traditional activities consisting in bringing together potential partners around project proposals in investment forums and through the work of the Investment Promotion Offices, UNIDO had sharpened its competitive edge by providing its clients with a comprehensive range of related services, uniquely packaged to cover the various needs of investment negotiations. He went on to say that an investment promotion forum would be held in October 1995 in Jordan. UNIDO's neutral role, networking capability and integrated approach thus enabled it to better serve the world community as compared to other organizations.

42. Members of the Secretariat would now deal by way of introduction with specific issues falling under agenda items 5 and 6.

43. **Mr. PISKOUNOV** (Managing Director, Human Resource, Enterprise and Private Sector Development Division) said that the Division covered most of UNIDO's priority activities and key services to Member States. In 1994 it had carried out 255 projects totalling US$ 22.5 million; it planned to implement approximately 350 projects in 1995. The geography of its activities was changing radically, with projects for technical assistance to least developed countries in Africa, projects for economies in transition and subregional and regional projects all on the rise. Projects were increasingly interdisciplinary. New opportunities for cooperation within the Division and with other divisions were being sought, in full conformity with the desiderata expressed by Member States and the Director-General.

44. The topics addressed by a number of the Division's units had been fundamentally realigned in past months. The Institutional Support and Private Sector Development Branch now focused on regional industrial development, institutional support for the private sector and recommendations on industrial policy and strategies. As part of that work, the Division had developed the concept of core services in which UNIDO had substantive advantages over other organizations and agencies; they included industrial policy advice and implementation, support for regional development, the restructuring of government agencies, promotion of business organizations and the establishment and management of export processing zones. Fifty related project requests had been received.

45. The Enterprise Development and Restructuring Branch had also been radically reoriented. Three interrelated programmes had been identified for enhancing the competitiveness of industrial enterprises: restructuring, privatization, and standardization and quality control. Account was being taken of social aspects of the post-privatization period, including the training and retraining of personnel.

46. In the work of the Small and Medium Enterprises Branch, the main areas of assistance were small and medium-scale enterprise (SME) strategies, policies and programmes, SME support systems, including business incubation systems, the organization and development of subsectoral SME clusters and the contribution of SMEs to rural development. Over 70 related projects had been carried out by the Branch.

47. The Human Resource Development Branch was undergoing the most far-reaching changes of all, determined by the evaluation of the training programme, the proposals of Member States and the desire to make the best possible use of new techniques

and contemporary technology. In the Branch's future work, stress would be laid on analysing the needs of Member States, enhancing the potential of national institutions and creating a broad network of training centres. UNIDO's cooperation with other agencies, including UNESCO and the ILO, would play a major role in those efforts.

48. **Ms. TCHEKNAVORIAN-ASENBAUER** (Managing Director, Industrial Sectors and Environment Division) said that steps had been taken in the past year to change the Division's outlook, improve its performance and focus increasingly on its delivery system. The results were attested to by the increasing number of requests from Member States for the Division's services.

49. The drastic reduction in 1994 in the financial support given by UNDP to UNIDO's technical cooperation programme had meant that the number of projects financed by UNDP had fallen from 446 in 1993 to 266. However, the Division had succeeded in attracting financing for its services from other funding sources such as the Montreal Protocol, GEF and Agenda 21. Consequently, no projects had been lost in 1994 and the previous level of 755 had been maintained. In addition 250 projects prepared for implementation in 1995 had been reviewed and accepted. In 1994 technical cooperation delivery had amounted to US$ 44 million; the target for 1995 was US$ 60 million and for 1996 US$ 80 million. In the past, most of the Division's programme had been concentrated in a number of Asian countries; currently there were 100 Member States with which the Division had regular contact. The target beneficiaries of the Division's programmes had also changed from the institution to the enterprise level.

50. The Division looked forward to the new challenges presented by the globalization of trade. It was planning a programme to enable exporting countries to maintain their export levels by making management more competitive and taking account of environmental considerations. The Division also recognized the need to transfer current technologies to meet the requirements of tomorrow's trade. UNIDO had more and more established a direct dialogue with companies and research and development institutions on technology transfer issues.

51. Due to the specific sectoral knowledge of the Division, it had been able to address real environmental problems of various industrial sectors. Its experience in industrial operations had made it possible for the Division to take up a new role, namely the implementation of industry-related components of international conventions. In that framework, UNIDO's work had recently been recognized within the United Nations system in connection with Agenda 21, where UNIDO was not only facilitating the transformation of industry, but also assisting Governments in discharging their responsibilities *vis-à-vis* the various conventions. Another recent example where UNIDO's initiative had made a difference was the Convention on Climate Change. Despite the fact that industrial aspects had originally not been included in the preparations, the course had been changed due to UNIDO's intervention. The Group of 77 had requested UNIDO to prepare a study in that connection and advise the Group on the elaboration of the Convention. Other upcoming conventions in which UNIDO was working together with governments were the forestry convention, the biodiversity convention and the Basel convention. UNIDO had paid due attention to the System-Wide Action Plan on Drug Abuse Control, concluding a memorandum of understanding with the United Nations International Drug Control Programme (UNDCP) in October 1994. It had become a major collaborator with UNDCP in activities in Bolivia linked to agro-industry and rural development. A final example of the value ascribed to UNIDO's services was the reliance placed on the Organization by UNDP in the formulation and implementation of projects under the Global Environment Facility.

52. **Mr. VENKATARAMAN** (Managing Director, Investment and Technology Promotion Division) said there was an increasing demand for technical cooperation activities, increasing diversification of sources of funding, with projects amounting to some $32 million each year, and an increasing call from developing countries for Investment Promotion Service Offices. Host Governments were encouraged to provide resources for such offices on a continuous basis for at least three years. The demand for investment forums and Techmarts had also increased significantly. The Techmart held in India in 1995 had been an innovation, combining both investment and technology, and at least a dozen Techmart requests were in different stages of processing. A similar number of requests was being processed for investment forums. Training programmes for project preparation and appraisal, as well as for negotiation and acquisition of technology, were in great demand and had to be met from different funding sources. The demand for the preparation of feasibility studies had been consistent and some US$ 6 million of related projects were implemented each year. A new generation of software for computer-assisted feasibility studies making use of the UNIDO Computer Model for Feasibility Analysis and Reporting (COMFAR) had been introduced, with the relevant revolving funds maintaining a level of US$ 1 million.

53. With regard to the International Centre for Science and High Technology, the Government of Italy,

as of 1995, would provide 7 billion lire each year, equivalent to some US$ 4 million. The Government of India would make a trust fund contribution for a feasibility study for a possible international centre for the advancement of manufacturing technology, and the Republic of Korea would make a trust fund contribution for a technical cooperation programme directed towards the possible establishment of an international centre for testing and evaluating new materials. International programmes on the revitalization of industrial research institutions and technology management had been launched. An encouraging development with regard to solar energy applications lay in the requests to establish centres for solar energy applications in addition to the one already functioning in Australia. UNIDO had been invited to play an important part in the solar initiative which the World Bank had recently promoted.

54. To promote the commercialization of biotechnology, consideration was being given to establishing a biotechnology business advisory council and projects in capacity-building for biodiversity exploitation had been presented to the Global Environment Facility.

55. The Industrial Cooperation and Consultations Service, including the ECDC/TCDC unit, continued to be fertile ground for opening up technical cooperation possibilities and had promoted new types of partnerships. Two recent developments were projects for cooperation in the dairy industry between Brazil and Africa and a programme of cooperation with municipalities in the exchange of experience and assistance related to urban industrial development.

56. **Ms. KING-AKERELE** (Managing Director, Country Strategy and Programme Development Division), dealing with UNIDO's contribution to international efforts to mitigate the consequences of the Chernobyl accident (IDB.14/10/Add.3, chap. I) said that its activities within the framework of the Inter-Agency Task Force for Chernobyl had been expanded in November 1993 to participation in the Quadripartite Committee for Coordination on Chernobyl. In addition, UNIDO's industrial survey of Belarus, the country most affected by the catastrophe, had been completed in 1994, having been financed from the regular budget. Two of the survey's 19 project proposals — for baby food production and a regional development agency in the Gomel region — had attracted the interest of the European Bank for Reconstruction and Development and the European Union — through its programme known as Technical Assistance for the Confederation of Independent States of the Former Soviet Union (TACIS) — respectively. UNIDO had drafted project documents for similar industrial surveys in the Russian Federation and Ukraine, but their implementation was pending due to lack of funds, a situation which had also hampered its follow-up of the baby food and Gomel proposals. The survey's recommendations could be promoted not only by the Organization but also by the Government of Belarus itself, as well as by the donor community, and in particular TACIS, EBRD, the World Bank and individual donor countries. The Government of Belarus was being encouraged to consider its cost-sharing contribution to the implementation of the projects.

57. UNIDO had advised the United Nations Coordinator for Chernobyl of its willingness to participate in an overview of the international programmes connected with the tenth anniversary of the Chernobyl accident in 1996, and looked forward to making its contribution to that event through extended technical cooperation programmes in the areas most affected by the catastrophe. To that end, the Board might wish to invite donor Governments and organizations to provide financial support for the proposed priority projects identified by UNIDO in cooperation with the Governments of Belarus, the Russian Federation and Ukraine.

58. On the integration of women in industrial development (IDB.14/10/Add.3, chap. III), she said that the integration of gender considerations into all the Organization's activities and promotion of the fuller participation of women in industry were the foundation of UNIDO's programme for the integration of women in industrial development. Considerable progress had been made in that respect in areas such as education and health, but much remained to be done to enhance the economic role of women, and in particular their participation in industrial development on a more equal footing with men.

59. UNIDO's programme gave special attention to providing technical advisory services to governments on mechanisms for the integration of women in development. She emphasized the value of attaching national experts on the subject to the industrial sector review missions to 14 African countries carried out by UNIDO in late 1994. Special attention had also been given to assistance to women entrepreneurs in selected subsectors of industry and to enhancing the technical and managerial skills of women entrepreneurs and managers. As part of the preparations for the Fourth World Conference on Women to be held in Beijing in September 1995, the Organization had completed five comprehensive regional analyses on the participation of women in manufacturing, as well as participating in all the five regional preparatory meetings and making substantive contributions, at the last session of the Commission on the Status of Women, to the drafting of a platform for action. The UNIDO internal task force on the preparations for the Beijing Conference was currently finalizing

arrangements for the participation of the Organization in the various activities of the Conference.

60. **Mr. DASQUE** (France), speaking on behalf of the European Union, said that although the presentation of the annual report and its addenda was much better than in the past, demonstrating progress in the Organization's communication policy, the report was still limited to a description of the activities relating to each of UNIDO's development objectives, with no clear indication of the links between them. It was important to know clearly how the activities described in detail in the report were combined to create a synergetic effect that would both enhance their impact and reduce costs through the sharing of experience, tools and procedures. The Secretariat should continue its efforts to improve the context of the report and provide a more dynamic presentation of its work.

61. The information contained in the interim programme performance report for the biennium 1994-1995 (IDB.14/10/Add.1 and Corr.1) on the programmatic aspect of the Organization's activities caused the European Union concern. According to the Guidelines for the Management of UNIDO Services (UNIDO/DG/B.177), those services were to be elaborated on the basis of a programming framework based on country support strategies, country programming briefs and subsectoral and thematic programming frameworks. The report to the Board should therefore contain information on all those subjects, yet it mentioned only country support strategies. Furthermore, its statistics indicated that out of the 35 strategy papers planned, 20 were in the process of preparation and only one had been completed, which was not the sign of a firm commitment to reform. The country programming briefs on each country for which the Organization provided or intended to provide services should have been available by the end of October 1994, but nine months later very little progress appeared to have been made in producing them. In 1994 UNIDO had followed up some 1,400 technical cooperation projects, carried out over 900 study or fellowship missions and organized 80 seminars or expert meetings. In order that those activities might be incorporated coherently in the strategy of the Organization, it was essential that they should be preceded by rigorous programming. The European Union therefore urged the Secretariat to attach the greatest importance to the complete and rapid preparation of the various programme documents, by country and by sector, on which the services provided by UNIDO needed to be based.

62. **Mr. KOUAME** (Côte d'Ivoire) said that the link between social and economic development as a whole and successful industrial development had been emphasized by the 1995 World Summit for Social Development, which had urged the international community to promote industrial development. UNIDO, in accordance with its Constitution, had pursued that objective since its foundation, providing technical assistance to Member States to enable them to achieve their industrialization, while taking into account all its socio-economic aspects. His Government therefore welcomed the contents of the 1994 annual report.

63. Although Côte d'Ivoire had been severely affected by the world economic crisis, in recent years its various internal adjustment measures and changes in the parity of the CFA franc had opened up prospects for strong and sound growth. In 1994, for the first time for many years, there had been growth — of 1.7 per cent — and growth rate targets of 6.5 per cent had been set for 1995 with at least 10 per cent by the year 2000. To achieve those levels, the Government intended to focus its action on the agricultural sector, where emphasis would be placed on consolidation of traditional production, development of non-traditional agricultural exports, promotion of livestock breeding and expansion of agro-industry through local processing. It would also concentrate on the mining and energy sectors by exploiting oil, natural gas, gold, manganese and nickel deposits, and on the services sector, in which his country could play a predominant role in the subregion by promoting tourism, developing telecommunications and consolidating its key position in transport. The expansion of those various sectors should stimulate exports and considerably increase the country's revenue. To achieve its goals, Côte d'Ivoire needed the assistance of organizations such as UNIDO, with its vast experience acquired through many years of service to the developing countries.

64. Having benefited from the Organization's expertise through numerous projects, including assistance with the country's industrialization framework, his Government had every regard for the quality of UNIDO's services. It would welcome further technical assistance in order to enable it to achieve an adequate level of agro-based industrialization. His delegation reaffirmed its support for the current programme of reforms in UNIDO, based on the aims set forth in the Yaoundé Declaration, and called for the implementation, in its entirety, of the programme for the Second Industrial Development Decade for Africa with a view to the countries of that continent joining the ranks of the wealthy countries. It was regrettable that some countries had chosen the fiftieth anniversary of the United Nations to consider cutting back their financial support for UNIDO, thereby imperilling the very existence of the Organization. His delegation hoped that those countries would reconsider their position in the interests of greater solidarity among nations.

The meeting rose at 1 p.m.

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Industrial Development Board

Fourteenth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 27 June 1995, at 3 p.m.

President: Mrs. OK (Turkey)

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The meeting was called to order at 3.20 p.m.

TRIBUTE TO THE MEMORY OF RAHIM ABID ALKITAL, PERMANENT REPRESENTATIVE OF IRAQ TO UNIDO

1. **The PRESIDENT** paid tribute to the memory of Rahim Abid Alkital.

2. *At the invitation of the President, the members of the Board observed a minute of silence.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1994 ON THE ACTIVITIES OF THE ORGANIZATION, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (*continued*) (IDB.14/10, IDB.14/10/Add.1 and Corr.1, IDB.14/10/Add.2 and Corr.1, IDB.14/10/Add.3; IDB.14/CRP.5)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1994 (*continued*) (IDB.14/14; IDB.14/CRP.1)

3. **Mr. MARCHAN** (Ecuador) said that the Director-General and the Secretariat were to be congratulated on the Annual Report of UNIDO for 1994 (IDB.14/10) in its new format, which presented a coherent overview of UNIDO's activities for that year and clearly showed that the Organization had decisively implemented far-reaching changes in its management, objectives and priorities. In his delegation's view, those reforms were essential for improving the Organization's effectiveness and would have a positive effect on industrialization programmes carried out in the future.

4. He believed that UNIDO should implement sectoral projects that responded to the requirements of the developing countries. His own country needed access to adequate technologies, local resources to absorb and adapt technologies, and improved efficiency of management. UNIDO should support the establishment and strengthening of standardization bodies that would assist in creating an appropriate infrastructure for the development of the public and private industrial sectors. UNIDO could also provide assistance for activities aimed at improving the quality of production, as under the regional programme for modernizing the capital goods sector in Latin America. The important role played by the private sector in industrial development in the developing countries should be assisted through UNIDO's extensive expertise in the sphere of industry. His own country would benefit greatly from high-level advisory services, supported by field studies, to assist the Government in successfully formulating its privatization policies and in enhancing the effectiveness of the privatization process.

5. Ecuador was interested in the issue of the integration of women in industrial development, and specifically in the application of the UNIDO training programme for women in the mainstream of development.

6. With regard to technical cooperation activities, his delegation hoped that UNIDO would continue to improve the quality of technical cooperation projects, as called for in General Conference resolution GC.5/Res.1. It was significant that representatives from bilateral and multilateral development cooperation agencies had reached a common understanding on the principles of a participatory approach to the management of development cooperation, as developed by UNIDO and the German Agency for Technical Cooperation (GTZ).

7. **Mr. MAZILU** (Romania), referring to the Annual Report of UNIDO for 1994 (IDB.14/10), said that it was gratifying to note that the major areas of UNIDO support had been successfully identified. His delegation considered the assessments and options concerning the regional dimension to be realistic and correct. Moreover, the comprehensive review of UNIDO services showed that the Organization was continuing its efforts towards management reform, in order to enhance its position and fulfil its role as a centre of excellence on industrial development issues.

8. Five years had elapsed since dramatic political changes had taken place in Romania and in other Central and Eastern European countries, and today the democratization of society and the separation of powers were an established fact. Romania's economy had undergone important changes and it was in transition to a market economy. The difficulties of those changes had initially been underestimated, and there had been a steep drop in industrial output, a high rate of inflation and rising unemployment during the period concerned. However, in the first part of 1995, the Romanian economy had recorded a positive growth of 1.2 per cent.

9. As a result of higher interest rates introduced by the National Bank, Romania's economy had continued its trend towards macro-stabilization. Growth in GDP had been 3.4 per cent, compared with 1.5 per cent in 1993, and the inflation rate had fallen to about 69 per cent, compared with over 300 per cent in the previous years. Industrial output had increased by 3.3 per cent in 1994, exports showing 92.6 per cent growth, while the end-of-year trade balance had recorded a surplus of $190 million, compared with a deficit of $1.1 billion in the previous year.

10. The total value of UNIDO projects in Romania had risen to about $1 million by the end of 1994 for all activities included in the work programme of the Joint UNIDO-Romania Centre. A number of technical assistance projects had been financed by the Japanese Government, and the consultancy services provided by UNIDO had provided workable solutions to the technical problems examined. Investment promotion was a further important area in which the Bucharest office of the Joint UNIDO-Romania Centre had been actively involved. A project coordinated by the Investment Promotion Office in Milan had promoted 18 potential projects for Romanian manufacturing companies at the BORITEC Fair in Milan. A project sponsored by the French Government had been concerned with identifying possibilities for cooperation between French investors and Romanian companies in solving environment-related problems or for joint production of equipment used in environmental protection.

11. The Government of the United Kingdom had allocated part of its know-how fund to support Romania's efforts in promoting small and medium-sized enterprises in the industrial sector. The project concerning the promotion of small and medium-sized enterprises had proved most beneficial for his country and for other countries of the region. Other ongoing projects, relating to the restructuring of industry and the promotion of privatization, were also highly appreciated.

12. The Annual Report for 1994 was, in his delegation's view, proof of UNIDO's capacity to adapt to the new economic and political conditions, and the analyses it contained showed that the Organization was ready to face the major challenges of today's world. Also, the new format of the Annual Report made it possible to evaluate the complexity of the tasks facing UNIDO in fulfilling its main objectives. The activities and projects of special interest to Romania were those contained in development objectives 1, 4 and 5 and in the section on private sector development.

13. His delegation had noted with appreciation the progress made towards restructuring UNIDO, and fully supported the changes in the organizational structure and the reform of administrative and management procedures. It also appreciated the efforts of the Director-General to introduce greater accountability and improved quality. His Government was convinced of the importance of regular exchanges of views and monthly briefings for the different geographical groups.

14. **Mrs. TAMAYO DE ARNAL** (Bolivia) said that her delegation welcomed the Annual Report for 1994 (IDB.14/10), which gave a comprehensive account of the action taken as part of the restructuring process approved at the fifth General Conference session.

15. Her delegation believed that industrial development constituted the main engine of growth for countries such as Bolivia, and it fully supported UNIDO's efforts to become a major broker in the promotion of investment for the industrialization of the developing countries. Industrial progress and economic growth through the rational use of natural resources would contribute towards eliminating social inequalities and the poverty affecting large sectors of the populations of the developing countries. Moreover, the opportunities and challenges of industrial competition and the trend towards the globalization and regionalization of the world economy highlighted the importance of international cooperation for the developing world.

16. With regard to UNIDO's contribution to the System-Wide Action Plan on Drug Abuse Control (IDB.14/10/Add.3), her country valued the coordination of activities between UNIDO and the United Nations International Drug Control Programme (UNDCP). Bolivia supported the inclusion of activities for the development of high valued-added agro-industrial products that would enhance the income of farmers in regions producing a surplus of coca leaf, and the identification of local and international market opportunities for the products developed. Agro-industrial enterprise development projects implemented in Bolivia by UNIDO with funds from UNDCP were aimed at achieving a positive impact on surplus coca-leaf producers.

17. Bolivia had developed a strategy for replacing the drug-based economy through the comprehensive development of the affected regions. Through the promotion of sustainable development, conditions must be established for generating alternative sources of income. She urged the international community to support the efforts being made by her country in cooperation with UNIDO and UNDCP, and hoped that the topic would be included on the provisional agenda for the Board's next session.

18. **Mr. ZHANG Guanghui** (China) said that the Annual Report of UNIDO for 1994 (IDB.14/10) was frank, practical and innovative. Compared with previous Annual Reports, it was more focused and succinct and better reflected the activities of the Organization. His delegation noted with satisfaction that, after a year of laborious efforts on the part of UNIDO, the major reform measures it had embarked upon were beginning to produce positive results, although the Organization's financial situation had still not changed significantly and its operations continued to suffer from severe constraints.

However, the Secretariat's determination to proceed further with the reform process gave Member States cause for hope.

19. In the world today, science and technology were continually developing and the pressure of international competition was constantly increasing. Developing countries were thus seeking more than ever to accelerate their own process of industrialization and to integrate their own economic growth and social progress with those of the rest of the world. His delegation regarded UNIDO as the central body for coordinating, within the United Nations system, the promotion of industrial development and technical cooperation. His Government would continue to support UNIDO's efforts to overcome its difficulties, and it urged all Member States to actively support the work of the Organization.

20. Technical cooperation activities had always occupied an important place in UNIDO's operations. It was disturbing to note that technical cooperation delivery had continued to fall over the past four years. His delegation hoped that the Secretariat would continue to implement the measures adopted with a view to increasing the quality of technical cooperation and improving project management.

21. His delegation was pleased to note that the Organization attached due importance to the protection of the environment in technical cooperation activities. The Chinese Government regarded environmental protection as a basic element of national policy and devoted maximum efforts to it. It believed that, for many developing countries, economic development and the elimination of poverty at present constituted the most important goals and should be fully taken into account in the pursuit of solutions to global problems of the environment. UNIDO might encourage the developed countries to provide further resources and to undertake the transfer of technology under favourable conditions, thereby contributing to the industrial development of developing countries and to the protection of the global environment. His Government was currently holding discussions with UNIDO regarding a number of new cooperation projects, and hoped that the Organization would maintain and strengthen its exchanges with the Chinese authorities and the enterprises concerned with a view to pursuing their common objectives in the area of technical cooperation.

22. The agenda of the Fourth World Conference on Women, to be hosted by his Government in September 1995, included the participation of women in industrial development. China appreciated UNIDO's endeavours to assist women of developing countries in becoming involved in the industrial development process and in thus improving their social and economic status. The first phase of the UNIDO-assisted training programme for the participation of women in the modernization process in China had already produced satisfactory results, and his delegation hoped that UNIDO would continue to support the women of the world in their efforts to participate in development on an equal basis.

23. **Mrs. DE PEREZ VENERO** (Observer for Panama) said that, during the recent session of the Programme and Budget Committee, the Secretariat had expressed the view that the points raised in the statement made by Panama concerning staff reductions and other matters was of importance only for Panama because, according to UNIDO, the only Panamanian national on the staff had taken his complaints to the ILO Administrative Tribunal. In fact, the delegation of Panama had been speaking of problems affecting women staff, whereas the pending Administrative Tribunal case concerned a man. The Secretariat had also said that it could not publish a list of staff affected, as requested by the Panamanian Permanent Mission, for reasons of confidentiality. However, the Mission had only asked for a list indicating sex, age, grade, nationality and position in the Organization, not necessarily including the names of the staff members. It had recalled that UNIDO had previously published similar lists which had included names and wondered if they were no longer published because they might be more revealing.

24. The Secretariat had also stated in its reply that it was UNIDO's policy not to divulge information on matters relating to disputes submitted to the Administrative Tribunal. Did that mean that, whenever staff members submitted cases to the Administrative Tribunal, Permanent Missions could not be informed of the matters involved? In any case, the statement of the Panamanian delegation had concerned only the representation of women in senior posts.

25. Nor could the delegation of Panama accept the statement that the chart on page 49 of the Annual Report (IDB.14/10) accurately reflected the facts as they concerned women staff members of UNIDO in 1993 and 1994. That response was typical of the lack of transparency on the part of UNIDO's management, for it was inconsistent with the chart contained on page 98 of the Annual Report of the previous year.

26. That was not the only example of the difficulty of obtaining information from the Secretariat or of contradictions in UNIDO's documentation. The Panamanian Mission hoped that the Board would call for greater transparency from UNIDO's management in future. It was difficult to judge the efficiency of any organization or its effectiveness as a tool for development without it.

27. The Board should urge the Director-General to think only of the welfare of the Organization and complete the reform process so that at least the most important sectors of activity for development might be saved, and UNIDO could receive the full and unreserved support of its Member States.

28. **Mr. JAMAL** (Qatar) expressed his delegation's appreciation of the clearer and more concise format of the Annual Report with its focus on UNIDO's development aims and areas of work. He welcomed the information supplied on recent trends and economic development prospects in the developing countries, but was concerned to note slow growth in Africa, Western Asia and parts of Latin America and the Caribbean. Many developing countries encountered great difficulties in obtaining access to technology, and the obstacles they encountered were reflected in their difficulties in competing in the industrial sphere. They needed help from UNIDO in increasing their development capacities through training, and in modernizing agro-industries and food-processing and manufacturing industries with a view to ensuring sustained economic development.

29. He had noted the emphasis placed in the Report on five development aims, and stressed the importance of developing human resources so that the developing countries might have a pool of skilled workers and technicians able to keep up with scientific and technological progress in industry. He believed that UNIDO should also take steps to encourage producers to be more competitive in international markets, and welcomed the initiative taken to provide consultative services for planning and programming in economies in transition with a view to boosting productivity, especially for export markets, and to attracting capital for production.

30. He commended UNIDO for the services it had rendered Qatar in establishing export and industrial zones and programmes for industrial development planning. It welcomed the information contained in document IDB.14/14 concerning the measures taken to establish quality control for technical cooperation activities and the clear statement of the principles adopted by the Secretariat to ensure quality in all of UNIDO's services. One of the most important aspects of the reform process was that of developing technical cooperation activities with the developing countries. For that purpose, UNIDO should strengthen its representation in the field and bring it in line with the process of change in beneficiary countries. Action could be taken in that respect at both the government level and the level of institutions.

31. His country was concerned by the decrease in funds available for implementation of the UNIDO Country Director programme and the prospect that funds in general might decrease in the future. There was cause for anxiety that UNIDO might not be able to maintain the level of technical cooperation services or to implement planned projects. He urged all Member States, especially the developed Member States, to provide all possible support to UNIDO to enable it to fulfil its noble purpose of promoting the industrial development of the developing countries.

32. **Mr. AHMADI** (Islamic Republic of Iran) welcomed the information contained in the Annual Report for 1994 and the supplementary information supplied on certain segments of the programme and budget with measurable outputs. He welcomed the improved format of the Annual Report and the successful implementation of activities in 1994 which proved that UNIDO had improved its performance and was capable of speeding up the industrialization of the developing countries.

33. Referring to the statistics contained in document IDB.14/10 and the important subject of training, he had noted with regret that only 10 per cent of the total amount of $101 million listed for total project expenditures had been allocated for fellowships and training while 51 per cent had been spent on project personnel expenditure. More funds must be provided for training and human resource development. In addition, he believed that UNIDO must endeavour to enhance cooperation with Member States as one of its main goals, and for that purpose he suggested that the Secretariat should make every effort to reduce the lengthy procedures of the project approval cycle and simplify them; delays in project approval had often affected the launching and implementation of projects.

34. Referring to technical cooperation between UNIDO and his country, he said that an International Forestry Industry Conference had been held at Teheran the previous year, and in late 1993 an international petrochemical industry consultation meeting had been held whose recommendations he hoped UNIDO would implement. His country would also be hosting the twelfth session of the UNIDO Leather Products Industry Panel.

35. A memorandum of understanding had been signed between the Islamic Republic of Iran and UNIDO in January 1994 and, in the light of UNIDO's new structure, he believed that further attention should be paid to following up the provisions of that document. On the basis of the reciprocal commitments set out in the memorandum of understanding, his Government had taken measures concerning projects relating to environmentally sustainable industrial development

within the framework of the Montreal Protocol which it intended to follow up in the future.

36. **Mr. SÖLENDIL** (Turkey) said that his country welcomed UNIDO's contribution to the System-Wide Action Plan on Drug Abuse Control (see document IDB.14/10/Add.3). It believed that the memorandum of understanding signed by UNIDO and UNDCP in October 1994 would strengthen cooperation in reducing the demand for and the supply of drugs through agro-industrial and social reintegration strategies. It hoped that Member States would offer voluntary contributions to UNIDO to strengthen its activities in that area.

37. Turkey had taken part in activities under the Action Plan by conducting a training programme on the small-scale industrial utilization of medicinal and aromatic plants. Participants from ten developing countries had taken part in the course. Training was also provided on the detection and assessment of narcotic drugs and psychotropic substances to enable participants to assist law enforcement bodies in their work. His country had been organizing annual training programmes for almost 20 years on the cement industry, the sugar industry, medicinal and aromatic plants, iron and steel, foundries, fruit and vegetable processing and textile industries.

38. His country fully supported UNIDO's activities in the area of economic and technical cooperation among developing countries (ECDC/TCDC), particularly its training activities in Turkey. The Government was interested in expanding those activities and using the experience gained by the training and technological centres in Turkey as the basis for an international network of centres of excellence.

39. He welcomed the increasing importance accorded by UNIDO to the joint UNIDO/Turkish follow-up and evaluation missions. It welcomed the pilot project for developing an integrated human resource development (HRD) system for the metal industry in Turkey and, in view of the importance of HRD for the countries of the Commonwealth of Independent States (CIS), believed that the possibility of extending such cooperation to selected CIS countries might usefully be explored.

40. His Government was also interested in the UNIDO project for the establishment of cleaner technology centres for the Mediterranean and Black Sea areas and would be ready to host a centre set up in cooperation with UNIDO.

41. His Government welcomed UNIDO's activities related to environmentally sustainable development and the Turkish Ministry of the Environment had recently entered into a process of cooperation with UNIDO in the implementation of the Montreal Protocol, especially with regard to eliminating the use of ozone-depleting substances in the foam sector. It hoped that UNIDO would assist it in preparing projects for submission to the Multilateral Fund for the Implementation of the Montreal Protocol. Turkey had initiated a project jointly with UNIDO on the establishment of a hydrogen technology centre in the country and had contributed $100,000 to it. A feasibility study by UNIDO was currently being evaluated by the Turkish authorities and it was expected that an expert group meeting would subsequently be held to finalize the reports on the project.

42. His country had also noted with satisfaction that the close cooperation existing between the Black Sea Economic Cooperation Council and UNIDO had facilitated the organization of a workshop for the identification, formulation and dissemination of investment project proposals.

43. **Mr. OWIREDU** (Ghana) reaffirmed his country's support for UNIDO in its efforts to promote the industrialization of the developing world. UNIDO required the support of all its Member States. International cooperation provided the best option for peace and progress throughout the world. A great deal of progress had been made through cooperation between Ghana and UNIDO since the thirteenth session of the Board. Some of the activities concerned the textiles and garments subsectors and preparations were under way for implementation of a Strategic Management of Industrial Development (SMID) project.

44. Unfortunately, the developing nations were still severely hampered by their balance-of-payments problems. It was time for the developed countries to consider debt forgiveness as a means whereby the poorer nations might be enabled to make a fresh start towards sustainable development. The issue was becoming more urgent with the entry into force of the Uruguay Round agreements for, although the developing countries were to have easy access to the markets of the advanced countries under the new agreements, their stage of industrialization was not sufficient to allow them to compete on international markets. Industrialization in the developing countries needed to be speeded up to facilitate product development to ISO 9000 standards. It was in that area that aid from donor agencies and developed countries was most urgently required. The existing tariff system, the loss of trade preferences and the customs and language barriers hampering interregional trade further accentuated the problem.

45. In Ghana, rehabilitations, amalgamations, mergers and privatization programmes had been undertaken under the Economic Recovery Programme to revive local

industries in the hope that industry would become the engine of economic growth using private sector investment and initiatives. The private sector was in fact now the engine for economic growth and efforts were being made to give it the necessary support. A private sector round-table group consisting of experts from the private and public sectors had been set up and a complete package of assistance had been received from the World Bank to strengthen scientific and technological institutions, overhaul the legal system with a view to supporting private sector development and rehabilitate the Ghana Trade Fair Authority to make it internationally competitive and commercially viable.

46. Industry must be the engine for growth and substantial national resources needed to be devoted to the process so that industrialization would not create environmental problems. Electricity was becoming increasingly expensive to use and cheaper energy sources must be found. There was also a need for subregional and regional cooperation through organizations such as the Economic Community of West African States.

47. To support all those efforts, he wished to call on the international community as a whole to assist the developing and least developed countries through grants, donations, technical cooperation and direct foreign investment. Ghana's current investment climate was very attractive and the political climate was stable.

48. Current examples of UNIDO projects in Ghana were: advisory assistance for Ghanaian entrepreneurs prior to the investors' forum to be held soon; the strengthening of industrial planning and programming in support of Ghana's industrial sector adjustment programme, advisory assistance for the selection of investors for the utilization of a plantation in Ghana for a pulp and paper mill, the establishment of a national engineering service and training to assist small and medium-sized industries; and the establishment of a computer hardware maintenance unit.

49. Ghana had made great progress in the development of entrepreneurship with the assistance of a government agency and a UNDP-sponsored project. An entrepreneurship programme had been included in the curriculum of first-year university students and UNIDO, through its many training offers, assisted Ghana considerably in that respect. The rehabilitation and modernization of the paper and wood-processing subsectors was also proceeding within the UNIDO policy framework.

50. Ghana supported the current organizational and staff structure but hoped that UNIDO would appoint staff members from countries which had hitherto been underrepresented, especially West African countries. It urged Member States to support all efforts aimed at industrial cooperation and regional consultation among developing countries in general and West African countries in particular. Such efforts might best be fostered through subregional cooperation in organizing seminars and workshops for technical experts.

51. His country fully supported the statements made by the Group of 77 and the Chairman of the African Group to the effect that UNIDO's continued existence was vital for the industrialization of all the developing countries, including the least developed countries, and urged all Member States to give UNIDO the support it deserved.

52. **Mrs. PENSADO MORENO** (Mexico) praised the new format of the Annual Report which better reflected the work carried out by UNIDO, providing a contextual analysis within the global framework of the United Nations system. The change in the nature of the Annual Report showed that UNIDO was adapting itself to the mandates and requirements set out by countries. She particularly welcomed the redistribution of the staffing table, the selective recruitment of staff in areas of specialized technical competence, the redefinition of the functions of the substantive units, the assignment of new tasks in accordance with new objectives, the preparation of a detailed work programme for the current biennium, the identification of new criteria for the establishment of teams and teamwork, the in-depth review and reorientation of guidelines and procedures for the management of UNIDO services to ensure consistency with the objectives and priorities of the Member States and to enhance quality, cost-effectiveness and timely execution, the work done on re-evaluating field representation, and the continued effort to ensure more focus in the new priorities and the orientation of the Organization. She was grateful for UNIDO's response to the request set out in decision IDB.12/Dec.5 and looked forward to the revised guidelines for the service management process. She was grateful for the information regarding technical cooperation projects, and said it would be very useful if the Secretariat could periodically provide Member States with detailed information on the technical cooperation activities UNIDO promoted.

53. **Mr. FISENKA** (Belarus) said that, on the fiftieth anniversary of the founding of the United Nations, there had been a number of appraisals of the United Nations system and its future, but they were not always well founded or correct, and his Government could not agree with the conclusions of the report of the Commission on Global Governance regarding the place and role of UNIDO in the modern world. UNIDO must continue to play an important role in promoting industrial development and cooperation, fulfilling the needs of the developing countries and of the countries with

economies in transition. UNIDO was a unique global intergovernmental forum for the discussion of urgent problems of industrial development and for the elaboration of proposals for their solution. He expressed great regret regarding the intentions of certain major Powers to reduce their financial and other assistance to UNIDO. He noted with satisfaction the reform process which had made possible a number of important changes in the Organization's structure, management, objectives and priorities, and, despite its financial difficulties, UNIDO's reform process should be carried forward. In spite of its own problems, the Government of Belarus was giving active consideration to making its contribution to UNIDO's budget in the near future.

54. He expressed particular support for UNIDO's efforts to promote the establishment of competitive products and effective enterprises in developing countries and countries with economies in transition. The Organization was playing a positive role in the development of international cooperation in the promotion of industrial investment and technologies, and in giving support to the private sector and encouraging effective privatization. It had cooperated with the newly-independent States of Europe with regard to reform of their industrial structure, the environment and energy, and the development of entrepreneurship, to which, in his view, should be added the conversion of the former defence industries in those countries. Belarus was cooperating with UNIDO in a number of important projects, but hoped that those useful contacts would not become bogged down in lengthy bureaucratic procedures, and would rapidly be translated into tangible action; project processing within the UNIDO Secretariat took too long. One chapter of document IDB.14/10/Add.3 concerned UNIDO's contribution to international efforts to mitigate the consequences of the accident at the Chernobyl nuclear power station in 1986. At the beginning of 1994 UNIDO had prepared a report on the state of industry in the areas of Belarus affected by that accident. The report made 19 recommendations, but so far not one of them had been implemented. He hoped that the Secretariat would make efforts to ensure that the proposals were financed, bearing in mind that the tenth anniversary of the Chernobyl accident would be commemorated in April 1996.

55. **Mr. BOERSNER** (Venezuela) welcomed the broad agreement expressed during the session regarding the need to maintain and strengthen UNIDO, and unreservedly supported the statement made by the representatives of the Latin American and Caribbean Group and the Group of 77. The market economy had shown itself to be essential, national economies must be opened up and the importance of the private sector must be enhanced. In that context, Venezuela gave its full support to UNIDO's reform process. However, the historical asymmetries between the industrialized and the non-industrialized countries could not be left uncorrected in the name of unrestricted market freedom, and the necessary political and financial support must be given to sustainable and open industrial development strategies.

56. He congratulated the Secretariat on the detailed and clear format of the Annual Report and other documents. With regard to the information they contained regarding technical cooperation in Latin America, he said that his country was deriving great benefit from UNIDO in its efforts to move from a single-export economy to a multi-export one; it had received advice regarding competition, environmental protection in its aluminium industry, and help with new mining techniques, and it was hoped that assistance would be forthcoming from UNIDO in the development of small and medium-sized enterprises in a number of areas, including agro-industry.

57. With regard to the funding of UNIDO, the attitude of industrialized Powers that were thinking of reducing or eliminating their contributions to the Organization was negative and short-sighted. Failure of the developing countries to industrialize would mean an increase in their levels of poverty and violence and in uncontrolled migration flows. Budget constraints affected all Member States, but enlightened self-interest called for sacrifices. Venezuela was behind with its contributions to UNIDO, but was making a great effort to reduce its debt and believed it had the moral authority to address critical comments at countries of the industrialized world.

58. **Mr. BAJOWA** (Nigeria) commended the Director-General for the improvement in the presentation and format of the Annual Report. He noted the efforts made to boost technical cooperation activities. It was essential that coordination within the Organization in regard to technical cooperation activities should be strengthened. Such continuing coordination would enhance UNIDO's image with recipient countries. He noted with satisfaction the action taken to facilitate implementation of the Second Industrial Development Decade for Africa by posting resources within the Organization.

59. He supported the proposals in document IDB.14/14 regarding improving the quality of technical cooperation, guidelines for the service management process, and country and regional support strategies and programming briefs.

60. **Mr. Seung Kon LEE** (Republic of Korea) said his Government intended to substantially expand the scope of its public development support so that it matched the level of its economic capability. It had established a cooperation fund with the United Nations Economic Commission for Africa to support and strengthen

international efforts for the economic development of that continent, and he believed that his Government could work with UNIDO to give effective support to Africa's development efforts. UNIDO and his Government were jointly organizing a regional workshop on industrial policies and strategies for Africa, to be held at Seoul in the autumn of 1995.

61. The Government of the Republic of Korea was playing an active part in a UNIDO project in Viet Nam entitled "Medium-term Industry and Trade Strategy", and it was expected that a new cooperative arrangement between UNIDO and the Korea International Cooperation Agency would be worked out in the near future. His Government had been active in the implementation of various IDF and Trust Fund projects with UNIDO, and would continue to support the Organization's technical cooperation programmes. There were two areas requiring further special attention on the part of UNIDO in the programming of future technical cooperation activities: human resource development should be given top priority, with bold investment in and vigorous support for basic education and vocational training, and there should be consistent and urgent pursuit of policy objectives for empowering women through the promotion of education for women and increased opportunities for their participation. In most developing countries there was an increasing need to promote agriculture, and in his view UNIDO should contribute more to the development of agriculture-related industries.

62. **Mr. SOKOLOV** (Russian Federation) said that the Annual Report (IDB.14/10) showed what the Secretariat was doing to increase UNIDO's effectiveness within the framework of the United Nations system and to promote the principle of the division of labour between the specialized agencies. A notable new aspect of UNIDO's work was the more active development of programmes to support enhanced competitiveness, primarily in the area of the structural reform of industrial enterprises, privatization, and the development and support of small and medium-sized enterprises. His delegation noted with satisfaction the fact that the Secretariat had been intensifying its work with respect to the problems of countries with economies in transition, supplementing other international efforts on the basis of spheres of competence, comparative advantage and complementarity.

63. The expansion of UNIDO's activity in the area of ecologically safe industrial development was particularly timely, with a shift towards the transfer of environmentally clean technologies, and support for national plans or programmes and specific projects at enterprise level. Such activity should be coordinated as much as possible with similar activities being undertaken in other bodies, and carried out in the framework of existing international conventions, protocols and action plans for environmental protection.

64. The Russian Federation also welcomed UNIDO's new orientation towards human resource development for industry, especially involving the provision of consultation exercises on policy, strategy and methodology, and the encouragement of training to help solve specific problems. Another very important area of cooperation between the Russian Federation and UNIDO was the promotion of industrial investment through the organization of investment forums for the benefit of various regions; two such forums had been held in 1994, and another was soon to be held in Vienna, for the benefit of Siberian regions.

65. His country particularly appreciated the activities of the Secretariat in the development and transfer of technologies, with the establishment of international centres for advanced technologies. UNIDO should do more to strengthen mutually profitable relations between the developing countries and countries with economies in transition with regard to the introduction of advanced technologies. The Russian Federation had considerable experience and potential in various areas of science and technology that were of interest to the developing countries and was ready to contribute to the transfer to such countries of those technologies in the interests of sustainable development. The UNIDO Secretariat had done much to increase the effectiveness of technical assistance to developing countries, especially through the encouragement of interregional and subregional cooperation, and to improve the quality of the development and execution of technical assistance projects. UNIDO had an important role to play in the solution of social problems, for economic growth was not an end in itself; it had to work for the welfare of all mankind. Sustainable, environmentally safe and non-discriminatory industrial development could contribute to the solution of a whole range of problems relating to unemployment, poverty, job creation, the social integration of underprivileged groups of the population, and the expansion of opportunities for women.

66. **Mr. TAYLOR** (International Trade Centre, UNCTAD/GATT) said that the recently created World Trade Organization was a new instrument that would help clarify and make more transparent the rules governing international trade. The International Trade Centre was convinced that if the poorer nations of the world were to participate in the global growth of trade they must be assisted as a matter of priority with well-defined, targeted and efficiently delivered specialized technical assistance to prepare them for the transition. Calls for sustainable human development would be meaningless if expanding world markets and trade failed

to engage the fullest participation of the least developed countries. Efforts to improve market access would be fruitless if there were only a few products for the developing countries to trade in and if they had little or no capacity to buy. Industrial production was of the utmost importance. UNIDO's assistance was more urgently needed than ever if the least developed countries were to be able to produce internationally competitive products and services. It was his hope that the industrialized countries would study current realities and trends and support efforts to bring about a stronger and more relevant UNIDO. There was much to be gained by strengthening joint initiatives between UNIDO and the International Trade Centre in finding common solutions to the complex issues of production and trade in a market-place that was increasingly becoming one without borders.

67. **Mr. DOSHI** (India) praised the form and content of the Annual Report, which he said was clearly a product of the change in approach by the Organization. The year 1994 had been an important year of reform and revitalization in which UNIDO's priorities and activities had become more sharply focused. The five development objectives adopted by the Organization were laudable; among them the areas of special significance were the control of industrial pollution, the development of small and medium-sized enterprises, energy efficiency, investment promotion and technology transfer and the development of the private sector. Inspired by the call for South-South cooperation, India had assisted a large number of countries in the industrial field, and had consistently made a high contribution to IDF. India was also a beneficiary of UNIDO's technical cooperation programmes. In October 1995 the Government of India was hosting a global forum on industry in collaboration with UNIDO, and was looking forward to high-level participation and substantive discussions, with positive contributions that would be useful in shaping UNIDO's core activities. UNIDO was clearly at a crossroads, and the nature of the support and cooperation of Member States would determine the direction the Organization would take. India had noted with concern the fall in expenditure on technical cooperation activities in 1994. The constraints were well known, but the Organization had to continue to play an effective role in technical cooperation, and India was ready as always to participate.

68. **Ms. BESKER** (Observer for Croatia) expressed appreciation for the documentation provided by the Director-General and its improved format.

69. The war in Croatia had caused not only great human suffering but also severe economic, social and cultural disruption, calling for the rapid identification of priority programmes for humanitarian aid, reconstruction and development and for the mobilization of external expert and financial assistance.

70. An excellent relationship had been established between UNIDO and Croatia. Croatia had taken over the agreement between UNDP/UNIDO and the former Yugoslavia and expected that the standard basic cooperation agreement between UNIDO and Member States receiving assistance from UNIDO would soon be ratified.

71. UNIDO had completed the first phase of the project "Timber-frame buildings for emergency shelter" in Croatia, which had been funded by donations from Italy and Japan. The project was part of a larger programme to transfer light timber-frame building technology to Croatia to serve the country's reconstruction needs.

72. Work had also been completed on the project document related to the UNIDO country strategy support programme for Croatia, a crucial part of which was related to assistance to the Government in designing a national industrial strategy and industrial policy. The success of that project would also demonstrate the continuing relevance of UNIDO in the changing international environment.

73. The weaknesses of the country's industrial sector revealed the need for new industrialization based on industrial restructuring, the promotion of small and medium-sized enterprises and human resource development. In evolving that strategy Croatia would need to rely heavily on the assistance of the international community and international organizations such as UNIDO.

74. In view of the importance attached by Croatia to UNIDO assistance, she added her voice to those who had expressed concern regarding the dark clouds hovering over the Organization's future, especially in connection with the report of the Commission on Global Governance. Though there could be no doubt of the urgent need for the re-examination and renewal of the United Nations system in the spirit of the Charter, she did not think that UNIDO's *raison d'être* had disappeared.

75. She recognized the results achieved so far in the reform process and expected that process to be maximized.

76. Since UNIDO had a unique comparative advantage in the context of technical cooperation, her delegation believed that UNIDO's programmes should be improved through the adoption of a strengthened focus. Secondly, the right balance should be struck between the various

divisions in terms of Professional staff and expenditure. Lastly, the utmost should be done to achieve full transparency and accountability.

77. Such steps would strengthen the coherence and effectiveness of UNIDO's technical assistance and cooperation programmes and would enable the Organization fully to meet the objectives of its Constitution and the complex needs of Member States.

78. **Mr. SHAH** (Pakistan) congratulated the Organization on achieving most of its fixed targets while maintaining zero growth in the budget against a background of increasing demand for its services.

79. Since not many developing countries had the technology or financial resources for energy generation, greater emphasis should be placed on the development of that key sector.

80. Developing countries usually had sufficient natural and human resources, but their human resources needed to be developed. In that context, special attention should be paid to the integration of women in industrial development.

81. He commended UNIDO's programme for the transfer of technology for environmentally sustainable industrial development (ESID). His Government had launched a campaign for the protection of the environment which needed international cooperation.

82. It was important to develop small- and medium-scale industry in order to create entrepreneurial opportunities for disadvantaged sections of the population. Since international productivity could be achieved only through the qualitative improvement of industrial productivity, UNIDO should continue to focus on technical cooperation with a view to the promotion of new industrial technologies.

83. **Mr. HOBEICA** (Lebanon) said he was pleased to note the implementation of UNIDO's programme, particularly with regard to projects relating to environmental strategies based on agriculture, investment and technology. With regard to the programme for Arab countries, he noted that 120 projects had been developed but that only 90 had been implemented in 1994. He hoped that the remaining projects would be executed before the end of 1995. Programmes had been planned for advisory services in the context of general policy for Governments and subregional organizations, but none had been implemented.

84. He welcomed the programme of work for the integration of women in the various programmes and subprogrammes and the efforts made to obtain additional resources for activities in the field of drugs.

85. Extrabudgetary resources would have to be found to finance activities in all fields, particularly those related to agriculture and combating drug abuse.

86. **Ms. BATACLAN** (Philippines) asked for detailed information on the direction that the review of the UNIDO guidelines for the service management process was taking, and an explanation of the concept of eliminating steps that had no value added.

87. Reference had been made to the accountability of Governments of Member States in the reform process of UNIDO; that was counterbalanced by the question of the Secretariat's responsibility.

88. She associated herself with the request made by the representative of Mexico for regular reports on technical cooperation activities. She asked what the countries were for which programming briefs had been prepared, and what were the 29 country strategies under preparation. She would also like to know what were the prospects that Member States would be consulted on the preparation of the draft regional strategies and whether the so-called marketing management reports could be made accessible to interested Governments.

89. The nature of the questions she had asked highlighted the need for intensified coordination and consultation with the Governments of Member States, not least through the missions in Vienna.

90. **Mrs. SPILLMANN-STEIB** (Switzerland) said the Annual Report was commendably brief and comprehensive. Her country supported UNIDO's efforts to promote environmentally sustainable development, and regarded initiatives such as China's Agenda 21 programme as precisely the kind of initiative that lay within UNIDO's mandate. In order for developing countries to have market access to industrialized countries, quality management and standardization would become very important, and UNIDO's emphasis on quality certification was therefore most welcome. Implementation of the Montreal Protocol, the Climate Convention and Agenda 21, together with support to developing countries in the application of environmental standards, was a high priority for Switzerland. Finally, she had two questions. Firstly, how many demonstration projects were to be spread to other users, and was there

an attempt to involve industry in the use and implementation of environmentally sound technologies? Secondly, did UNIDO provide further follow-up activities in connection with Techmarts, which enabled partners to establish contact with a view to industrial business collaboration?

91. **Mr. EL GAILANI** (Sudan) commended the Secretariat for the detailed presentation of the performance reports and of the Annual Report. The dynamics of international change placed great responsibility on the shoulders of UNIDO so that it was necessary to benefit from the financial and administrative climate, which had improved markedly in the wake of the reform process. UNIDO must devise new patterns of international cooperation in the field of industrial development to prevent the widening of the gap between the rich and poor countries.

92. The basic framework for the future policies of the Organization would be constituted by work on human resource development, support for small and medium enterprises, industrial investment promotion and privatization.

93. The developing countries, especially the least developed countries, looked forward to receiving a larger share of UNIDO activities in the future. Most of those countries had already made appreciable strides towards preparing the necessary infrastructure in order to keep pace with the industrial development process. Their economies had made the change from domination by the public sector to the fostering of the private sector. The developing countries, especially the least developed countries, relied on the investment and technical services of UNIDO in implementing economic policies for the development of their industrial sectors.

94. He expressed great concern at the weakness of regional activities especially in the African continent, which included more of the least developed countries than any other region. If the present situation continued, it would have grave negative consequences.

95. He urged the Director-General to continue improving the quality of technical cooperation with the least developed countries.

96. **Mr. MPOFU** (Zimbabwe) said his country was opposed to any questioning of the relevance of UNIDO. It was a critical time for the Organization, and Member States owed it to themselves to give UNIDO their firm support to enable it to complete its reform exercise in line with the decisions taken at the fifth General Conference session. He appealed to all Member States to pay their assessed contributions so that UNIDO could continue to provide the services that were required. Zimbabwe had benefited from several UNIDO assistance programmes. For example, the Ministry of Industry and Commerce had been helped in the finalization of its industrial policy strategy. That assistance had been negotiated over a period of almost one year, and his delegation would welcome anything the Director-General could do to secure speedier responses to country requests.

97. In order to enhance effective delivery of its services, UNIDO's field operations should be strengthened. The Organization's reform and restructuring exercise was being undertaken in a transparent manner, but could not be successful without the financial and political support of Member States. He urged the Secretariat to continue with its efforts to mobilize all the support required to achieve the Organization's objectives.

98. **Mr. BENMOUSSA** (Observer for Morocco) said that he wished to react to the remarks that had been made at the first meeting by the delegation of the United States of America in announcing its Government's decision to reduce its contribution to UNIDO.

99. The developing countries were perfectly willing to re-examine the role of UNIDO in the light of new challenges, in cooperation with thier partners in the developed countries. Everyone should realize what UNIDO had achieved and what effects its work had had on the lives of people in the developing countries. UNIDO had achieved its results without any media campaign, but it seemed to need a new image.

100. He wished first to express his firm support for the statements made on behalf of the Group of 77 and of the African Group. He supported UNIDO's efforts to increase its activities and assistance in order to achieve viable industrialization in the developing countries. He supported in particular the organization of the Second Industrial Development Decade for Africa, after the first Decade had not come up to expectations. He also supported UNIDO's activities in cooperation with the Arab Industrial Development and Mining Organization.

101. The remarks that he would make in response to the United States statement should be taken as constructive criticism. The United States had a leadership role and its criticisms were useful. However, the policy of withdrawal from UNESCO, for example, had not brought about any fundamental changes in the role of that organization, even though 30 per cent of the programmes had been eliminated. As far as he knew, when a Member State withdrew from an organization it had to pay all its arrears of contributions to the regular

budget until the close of the subsequent year, or 1996 in the case in point. In that light, he did not see the advantage to the United States of a withdrawal from UNIDO; it would serve neither the United States, nor UNIDO nor the developing countries.

102. With regard to the announced 50 per cent reduction in the United States contribution, he wished to make some remarks about budgetary constraints. His own country was a middle-level developing country and had suffered in the past year from one of the worst droughts in the century. The harvest for the current year would be about one quarter of the average and there would be negative growth of the gross national product. Nevertheless, Morocco had decided to pay all its contributions to UNIDO. If a developing country could do that, it should be all the more possible for a developed country. As had frequently been mentioned, the New York Fire Department had a budget higher than the regular budget of the United Nations, and the budget of UNIDO was smaller still.

103. But there was also a fundamental problem of procedure. He did not think that any of the States represented in the Board was competent to set the level of its own contributions to the budget. That was a collective decision. The United States was represented on the United Nations Advisory Committee on Administrative and Budgetary Questions, and if the United States had requested a reduction of its contribution from the ceiling of 25 per cent to 24 per cent, or 23 per cent, the savings to the United States Administration would have been of such a nature as to satisfy Republican sensitivities in the United States and would certainly have been more than the United States contributions to the budgets of both UNIDO and UNCTAD. It could thus be considered that the decision was a hasty one and that not all avenues had been sufficiently explored.

104. He appealed to the United States delegation to recognize that UNIDO was doing good work for the developing countries and that its assistance was needed, not only in countries with economies in transition but also in China and the member countries of the Group of 77, and especially in Africa, the least developed continent.

105. UNIDO should pursue its work for the developing countries. It should carry out triangular technical assistance, involving the developed countries as donors, some developing countries as intermediaries through South-South cooperation and the least developed countries as net recipients. The services of UNIDO were necessary for that purpose. UNIDO's activities for the promotion of foreign investments were valuable as a vehicle for the transfer of technology without adding to the external debt burden.

106. The recommendations contained in the report of the Commission on Global Governance were comprehensive and UNIDO was not the correct place for their discussion. However, his delegation supported the main thrust of that report in seeking to prepare the world order for the twenty-first century.

107. As an observer State, Morocco would strive, through the good offices of members of the Board, to introduce a passage in every decision adopted by the Board stating that the Board deeply regretted the decision on financial questions announced by the United States delegation on 26 June 1995 and hoped that, by the time of the General Conference session to be held in December 1995, the competent United States authorities would agree to reassess their position in the light of the general debate in the Board and of the general mandate entrusted to UNIDO by the international community.

108. His country suggested that, on the initiative of the Secretariat, a draft declaration, concise in form and friendly in tone, be accepted by consensus, containing a message to the United States Government to be sent through the Mission at Vienna regarding UNIDO, its mandate and its role in sustainable industrial development and the expectation of the international community concerning the question of financial resources, in the context of a year which coincided with the fiftieth anniversary of many international organizations.

The meeting rose at 6.30 p.m.

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United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Fourteenth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 28 June 1995, at 10 a.m.

President: Mr. MAZILU (Romania)

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The meeting was called to order at 10.20 a.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1994 ON THE ACTIVITIES OF THE ORGANIZATION, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES *(continued)* (IDB.14/10, IDB.14/10/Add.1 and Corr.1, IDB.14/10/Add.2 and Corr.1, IDB.14/10/Add.3; IDB.14/CRP.5)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1994 *(continued)* (IDB.14/14; IDB.14/CRP.1)

1. **Mr. SVENDSEN** (United States of America) said that the last speaker at the fourth meeting had made a lengthy series of irrelevant comments about the United States Government, one of which called for a response. The suggestion that the Board might include, in each of its decisions, a statement expressing regret at the decision on financial matters announced by the United States at the first meeting was intended to be a means of sending a message to his Government. Anyone with knowledge of the United States Government and its processes would realize immediately that such a course would be strongly counter-productive. The United States had reached a difficult time in its budgetary process in regard to contributions to United Nations organizations, and one at which the Board would not wish to send wrong signals. His delegation would vigorously oppose any attempt to have any such messages inserted in draft resolutions, decisions or statements being considered by the Board.

2. In order to clarify the statement made by his delegation at the first meeting, he wished to emphasize that his Government had accepted that its assessment for UNIDO was 25 per cent; it was not trying to change that, as had been suggested. It had accepted that its assessed contribution to UNIDO would total some $28 million in 1995. The Board had been notified at the beginning of the session that its actual payment in 1995 would be less than that amount, and would probably amount to some US$ 12 million. His Government had not contested the fact that the unpaid amount would be added to its arrears, which currently amounted to some US$ 8 million, nor that it would be the recipient of an additional assessment for UNIDO contributions in 1996.

3. Parts of the statement made by the United States at the first meeting, particularly those regarding the payments situation, would have disappointed some Member States and even members of his own delegation. It had been made at that time because the Board needed to be fully informed of the payments situation of all its Members. The United States payment was large enough to make a difference to the Organization and informed decisions on the subject would have to be made on the basis of the best possible knowledge available. Anyone with questions to ask about the position of the United States was urged to discuss the matter with a member of the delegation rather than make statements which might be misleading or erroneous.

4. **Mr. DE MARIA Y CAMPOS** (Director-General) thanked those delegations which had commended the Secretariat on the content and format of the new Annual Report. Even though it still offered room for improvement, it demonstrated the new spirit in UNIDO. All the Organization's publications needed to be improved in order to get the message of the new UNIDO across, and many were already starting to appear in a more user-friendly manner so as to convey the results of the Organization's work. The Global Industrial Development Report would be published in time for the General Conference in a wholly new format and content, and as a result be much more effective in pointing out the trends in industrial development around the world. It would be distributed commercially in English, French and Spanish.

5. The representative of France had alluded to the need to improve interaction between the various divisions of the Organization in technical cooperation programming. The Secretariat, through its internal coordination mechanisms, had achieved some success in that respect in the area of programme formulation and programme missions. Programme missions to African countries in the latter half of 1994, for example, had involved the close collaboration of various divisions, and with that team approach had produced important results. Efforts had also been made to guarantee the kind of inter-divisional cooperation which would result in more effective action. Where a specific investment programme for Africa was concerned, for example, action was taken to ensure that people from investment and technology in the African region participated in the programme. The fundamental approach for the future was clear from the seven thematic priorities which he had proposed. In each case the programmes which had been formulated would have a multidisciplinary approach. It was confidently expected that with the assistance of external consultants more would be learned about ways in which that kind of approach could be improved. Staff awards would be made for teamwork, effectiveness, quality, services and creativity. Although much still needed doing to change the institutional culture of the Organization, the Secretariat was confident that it was now going in the right direction.

6. The representative of France had also referred to the apparently low implementation of two kinds of output related to UNIDO's programming framework, namely country support strategies and country programming briefs. Seven country support strategies had been completed, not one, and 29 more were in various stages of preparation; many of those were expected to be finalized in the course of the year. The Secretariat considered that to be a fairly satisfactory achievement, given that country support strategies were an innovative and resource-intensive programming instrument which required governmental endorsement. In some cases, Governments had indicated that the time was not suitable for preparing them. The new instrument of country strategy notes had been introduced into the United Nations system as a whole at the end of 1992 and had so far resulted in the completion of only four such notes at the United Nations level. Some misunderstanding clearly existed with respect to country programming briefs. Since they were recurrent UNIDO activities which would be continuously updated, they had not been included as specific outputs in the programme performance report, although a total of 103 country programming briefs had been finalized. The same applied to the thematic and subsectoral programming frameworks. Although they had not been reported on separately in the programme performance report, most of those frameworks had been prepared by the substantive units concerned. In some cases, such as that of the African countries, some fundamental updating was needed as soon as possible, due, in the African case, to the radical changes which had taken place in recent years in the assumptions on which the Second Industrial Development Decade for Africa had been based.

7. The representative of Belarus had pointed out that the excellent conceptual work done by UNIDO on projects related to the Chernobyl accident had not yet resulted in their implementation. UNIDO had been very active in seeking to mobilize funds for those projects, among other things through its liaison office in Geneva. So far those efforts had been unsuccessful, a situation which confirmed that the Organization's full effectiveness was contingent upon the readiness of Member States to support its work through voluntary financial contributions. The previous day the Programme and Project Review Committee (PPRC) had approved a project for Belarus from the Organization's own resources relating to policy advice on an industrial restructuring concept.

8. With regard to the information sought by the Philippines about UNIDO's service management process, the present internal review would not call into question the main principles laid down in the Guidelines for the Management of UNIDO Services (UNIDO/DG/B.177). Those principles continued to be valid, and their framework within the internal review would focus on further simplification of existing processes and, in particular, on extending the Guidelines to cover project implementation, monitoring and evaluation. The information requested by the delegation of the Philippines with regard to the countries covered by the country programming briefs and those for which country support strategies were under preparation would be transmitted to it. The monthly management reports referred to in paragraph 5 of chapter IV of the Report (IDB.14/10) could not be made accessible to Governments as they were purely internal monitoring tools.

9. Interested delegations would be glad to know that specific information on UNIDO's project approvals and the sources of funds involved was available internally and that a mechanism would be established, possibly through the PPRC secretariat, to provide it in an efficient and convenient manner to Member States. The necessary changes were under way in the information system to enable the Permanent Missions in Vienna to access information directly.

10. Switzerland had asked about the follow-up of Techmarts organized by UNIDO. Increased attention was being given to follow-up requirements and support provided to negotiating parties following Techmarts, through an advisory facility available at Headquarters. The Organization was advising Governments on the fundamental role they and the private sector could play in follow-up support through appropriate institutions. In connection with the Techmarts organized in India, for example, a tripartite institutional framework had been established, involving the Government, industry and UNIDO, to follow up the business negotiations held during the Techmarts. That kind of initiative set an example for future action in other countries in which UNIDO was involved in investment promotion and technology matters.

11. With regard to the question raised by Switzerland about UNIDO's demonstration projects and the way in which industrial associations were involved in spreading benefits, he said that the Organization undertook projects related to clean air production centres that demonstrated pollution prevention and the economic and environmental benefits it brought. Three instruments were used to propagate results to the industrial sector: the preparation of informational and promotional material for industry, the holding of enterprise-level workshops which publicized the results achieved, and the training of technicians and building of national capabilities to pursue clean air production efforts. Industrial associations and other institutions were involved in all those areas.

12. Several delegations had made a number of important suggestions about training. Human resource development was fundamental to the Organization's present work and had been included among the five objectives established at the fifth session of the General Conference. Although not specifically included among his seven proposed thematic priorities, it was an underlying theme which supported all those objectives and was a fundamental element in investment promotion, technological development, agro-industrial development and environmental issues. Consequently, UNIDO had been concentrating on the training of trainers and on new methodologies which should enable it to get the most out of its efforts. The Secretariat would welcome suggestions on the subject. Training problems nevertheless continued. The figures provided showed a slight decrease in the training components of projects, which had occurred because the role of UNDP-financed projects had been considerably reduced. A training component was normally included in such projects but traditionally had not been included in projects undertaken with voluntary contributions. The Organization would have to try to improve the participation of the training component in projects and hoped that the necessary support would be forthcoming to enable it to do so.

13. In view of the Organization's dwindling resources the Secretariat's task of technical cooperation was not easy, but the voluntary contributions of new donors and the fact that resources had been mobilized from other non-traditional sources had resulted in some success. The Organization could do much more and was ready to do so, but it needed the necessary resources.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE:

(a) SCALE OF ASSESSMENTS

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT

(c) PROGRAMME AND BUDGETS, 1996-1997

(d) WORKING CAPITAL FUND

(e) APPOINTMENT OF EXTERNAL AUDITOR

(f) ELECTRONIC DATA-PROCESSING PROGRAMME

(g) FINANCIAL SITUATION OF UNIDO

(h) INDUSTRIAL DEVELOPMENT FUND

(i) UNIDO COUNTRY DIRECTOR PROGRAMME

(IDB.14/2 and Corr.1, IDB.14/3, IDB.14/4 and Add.1, IDB.14/5, IDB.14/6 and Add.1, IDB.14/9, IDB.14/10/Add.1 and Corr.1, IDB.14/10/Add.2 and Corr.1, IDB.14/10/Add.3, IDB.14/13, IDB.14/20, IDB.14/25, IDB.14/26, IDB.14/28; IDB.14/CRP.3; PBC.11/8 and Corr.1)

14. **Mr. DE MARIA Y CAMPOS** (Director-General) said that, following the United States statement at the first meeting, the programme and budgets for 1996-1997 required the closest attention. On account of the uncertainties of the past six months, UNIDO had looked closely at its expenditure and level of savings. If the United States contribution was as low as its delegation had suggested, UNIDO could deal with the situation but only through great effort and enormous sacrifice, by curbing a large number of activities, stopping recruitment and embarking immediately on an emergency plan. The Organization could not be expected to reach all the objectives set for the year if 25 per cent of its budget did not come through, although every effort would be made to achieve them. In the period 1996-1997, it would have to consolidate its reforms. If it wished to implement the new priorities, the budget must be kept intact, bearing in mind that there might be other reductions in payments. Member States would therefore need to take a supportive but pragmatic approach to funding UNIDO and make every effort not only to pay their assessed contributions but also to make the highest possible level of voluntary contributions to the operational budget.

15. The Board had before it a budget which had been endorsed by the Programme and Budget Committee. The Secretariat would be able to make more specific budgetary suggestions when further information was made available by the United States about its intentions. In the meantime it would ensure that any financial adjustments made during the next biennium would not detract from the emphasis placed on, or the resources allocated to, the stated priorities or programmatic themes of UNIDO, and that adjustments would fall largely on administrative and non-developmental expenditure. The technical cooperation budget would be preserved as far as possible. The Secretariat would consider any suggestions from Member States as to how the Organization might proceed. A financial contingency plan was one possibility. The proposed budget as it stood was the best proposal feasible. The Board needed to incorporate into it whatever procedure it might deem fit to enable the Organization to make the necessary adjustments at the appropriate time.

16. **Mr. VAN RAALTE** (Managing Director, Division of Administration) said that he would introduce subitems (a) to (g) of agenda item 7.

17. On the scale of assessments, item 7 (a), he drew attention to the Secretariat's note (IDB.14/4 and Add.1) and the conclusion adopted by the Programme and Budget Committee (IDB.14/9, para. 20) recommending that the Board propose to the General Conference the establishment of a scale of assessments for 1996-1997 based on General Assembly resolution 49/19 B, adjusted for the membership of UNIDO, and that new Members of UNIDO be assessed for the year in which they

became Members on the basis of the United Nations scale of assessment as applicable to UNIDO.

18. Under item 7 (b), Interim financial performance report and programme performance report, the Director-General's report to the Committee on significant financial developments in 1994, as well as the programme performance report requested by the General Conference at its fourth session, were contained respectively in document PBC.11/8 and Corr.1 and in document IDB.14/10 and Add.1 and Corr.1. In addition, information on trust fund contributions and specific activities was before the Board in documents IDB.14/10/Add.2 and Corr.1 and IDB.14/10/Add.3 respectively. Document PBC.11/8 summarized UNIDO's financial performance during 1994, itemizing the utilization of financial resources in that year and showing the final balances and statement of assets, liabilities and surpluses at 31 December 1994. He would return to that topic when introducing item 7 (g).

19. In connection with item 7 (c), Programme and budgets, 1996-1997, the Committee had reviewed the proposed budget (IDB.14/2 and Corr.1) at its eleventh session and had recommended that the Board adopt it for submission to the General Conference. Its conclusion (conclusion 95/8) contained the financial estimates for the regular and operational budgets, but the Board would have to take into account the implications for the 1996-1997 budget of the statement made by the United States.

20. With regard to item 7 (d), the Board had to recommend to the General Conference the amount and purposes of the Working Capital Fund, which was intended to finance budgetary appropriations pending the receipt of contributions and also to finance unforeseen and extraordinary expenses. The Fund had to be reimbursed once delayed contributions were received. At its last session the General Conference had decided that the level of the Working Capital Fund should be US$ 9 million and that the authorized purposes of the Fund for the 1994-1995 biennium should remain the same as for earlier bienniums. During 1994, cash balances had remained adequate to meet shortfalls, mainly as a result of the decision of the General Conference to allow UNIDO to retain the unutilized balances of the 1988-1989 and 1990-1991 bienniums. Consequently, there had been no need to make withdrawals from the Fund in 1994 and the cash balance at the end of the year had been US$ 8.8 million, roughly the same as at the beginning. In view of that, the Committee had submitted a draft decision to the Board recommending to the General Conference that the level and purposes of the Working Capital Fund remain the same for 1996-1997 as for the 1994-1995 biennium. The Committee's conclusion (conclusion 95.10) also urged Member States to pay their outstanding assessed contributions as soon as possible in order to minimize the need to withdraw sums from the Working Capital Fund.

21. In connection with item 7 (e), Appointment of External Auditor, he recalled that at its fifth session the General Conference had appointed the President of the Federal Court of Auditors of Germany as UNIDO's External Auditor for a two-year period starting in July 1994. In conclusion 95/7 the Committee had recommended to the Board a draft decision by which the General Conference would approve an extension of the term of office of the present External Auditor for a period of two years, i.e., from July 1996 to June 1998.

22. Turning to item 7 (f), Electronic data-processing programme, he recalled that at its fourth session the General Conference had requested the Director-General to report regularly to subsequent sessions of the policy-making organs on the electronic data-processing (EDP) programme, the recommendations of EDP consultants and those of the External Auditors. That had been done. In view of the progress of the EDP programme, the Committee had submitted a draft decision to the Board (conclusion 95/13, para. (b) (iii)) recommending to the General Conference that it should rescind the mandatory reporting requirements imposed by the General Conference at its fourth session. In the same conclusion the Committee had requested the Director-General to submit information to the Board on the modalities of establishing electronic networking arrangements between UNIDO and the Permanent Missions in Vienna. The Director-General's report (IDB.14/CRP.3) concluded that for between US$ 2,000 and US$ 3,000 Missions could establish an electronic mail connection with UNIDO and with other databases around the world. A questionnaire was attached to the report to allow Missions to express interest. UNIDO would be prepared to coordinate such requests so as to obtain the best offer from qualified vendors for all Missions interested.

23. Several new computerized systems had recently been introduced in UNIDO, including a streamlined experts recruitment system, the first phase of a procurement system and an organization-wide travel monitoring system. Moreover, by the end of July 1995 all UNIDO workstations would have Internet access capability for electronic mail and file transfer and many users would be able to search external databases. That would improve communications and significantly reduce the cost of internal communications. Steps were under way to put UNIDO on the Internet, millions of whose users would be able to access UNIDO's databases, enquire about personnel vacancies or find out other information about the Organization.

24. With regard to item 7 (g), Financial situation of UNIDO, before providing an update on that current subject he would deal with two questions: whether the 6 per cent limit on regular budget resources devoted to technical cooperation could be raised, and what were the budgetary implications of the transfer of UNIDO's Languages and Documentation Service to the United Nations Office at Vienna (UNOV), which had taken place on 1 April 1995. On the first point, document IDB.14/6/Add.1 supplemented an earlier report on the 6 per cent ceiling (IDB.14/6-PBC.11/9) which had been prepared for the Committee. The addendum provided information on the implications of a change in the limit and described the legal process involved in changing the constitutional provision setting the limit, as well as the budgetary implications of increasing it, a process which, in a zero real-growth situation, meant scaling down other programmes in the regular budget correspondingly.

25. On the second matter, document IDB.14/20 described the personnel and budgetary implications of the transfer and the changes made in the 1994 budget in order to reflect it. The document detailed the transfer of posts and staff, as well as adjustments to the 1994-1995 budgets, to reflect changes in budgeted income, and the establishment of new objects of expenditure to cover future payments to UNOV. It also presented a revision of the approved 1994-1995 appropriations by major programme and major object of expenditure which, in total, remained within the approved budgetary levels for the biennium.

26. The Director-General's report on the current financial situation of UNIDO (IDB.14/28) provided an update of assessed contributions to the regular budget and Working Capital Fund as at 31 May 1995, as well as a cash flow analysis and information on the financial outlook for the remainder of 1995. An important new development in that regard was the possibility of a substantial reduction in the contributions anticipated in 1995 from a major contributor. The paper discussed the steps being considered to deal with a possible reduction in cash resources, including a variety of measures to reduce expenditure in non-staff and, if necessary, staff expenditures.

27. In order to help alleviate that likely contingency, two immediate measures were proposed for the Board's consideration. First, in accordance with Committee conclusion 95/4, the Board was invited, in paragraph (b) of the draft decision in paragraph 20 of the report of the Director-General (IDB.14/28), to recommend to the General Conference that it approve the temporary suspension of financial regulations 4.2 (b) and 4.2 (c) so as to allow UNIDO to retain the unutilized balances from the 1992-1993 biennium in order to strengthen its cash resource base. In addition, the report proposed the establishment of a reserve fund to cover unforeseen costs. The reserve would be funded from 1994-1995 resources which, owing to vacancies and other factors, would not be fully committed during the current biennium.

28. **Mr. MUEGGE** (Director, Strategic Planning Office), introducing item 7 (i), drew attention to the Director-General's note on a new framework for field representation (IDB.14/25). The note proposed two options with a view to a more effective presence of UNIDO in the field: the gradual expansion of the number of field offices to 50 and the establishment of a network of a smaller number of multi-country offices with enhanced substantive capacity. Those two options were linked to different scenarios according to availability of resources. A stronger field presence was one of the fundamental components of the reform process of UNIDO initiated in 1993 and a prerequisite for more efficient and effective delivery of its services. It would also be in line with a system-wide move towards delegation of authority and decentralization of activities recommended by the General Assembly, in resolution 47/199. The implementation of the Board's recommendation would depend on the financial outlook of the Organization. In that connection he was pleased to announce that a positive decision had been reached at the recent annual session of the UNDP Executive Board on the allocation of an additional amount of US$ 3 million from UNDP core resources for the UNIDO Country Director programme in 1997.

29. Clearly, certain premises on which the proposals were based were no longer valid. The Secretariat would have to monitor carefully the overall financial situation in 1995 and beyond and reach an optimal coverage of field representation with maximum effectiveness. Efforts to redeploy posts from Headquarters to field offices and to secure voluntary contributions from Member States and from present and prospective host countries, as well as further support for the Junior Professional Officer and Associate Experts programme, would need to be pursued simultaneously. The Secretariat would keep Member States fully informed and report to the Organization's legislative organs on developments in that regard.

30. **Mr. DEROY** (Managing Director, Mobilization and Management of Financial Resources Division), introducing agenda item 7 (h), Industrial Development Fund, said that the Fund played a crucial role in the reform process. New priorities required new capacities in the field and the launching of practical activities in the form of programmes and projects. Extrabudgetary voluntary contributions to UNIDO were more essential than ever. The resources received in 1995 through the Industrial Development Fund and special trust funds

gave cause for cautious optimism. The volume of approvals to date was the same as at the corresponding time in 1994 and the total approvals for 1995 would probably be higher than in the previous year.

31. With a number of new activities being carried out, he expressed the Organization's thanks to Governments that had provided additional support for UNIDO's strengthened programme for small and medium-sized enterprises, as well as supplementary trust funds for emergency assistance and additional contributions for assistance to the countries of Eastern Europe and the former Soviet Union. The promotional efforts of the UNIDO Country Director in Indonesia had resulted in the first extrabudgetary voluntary contribution from New Zealand, demonstrating that field representation could be decisive in mobilizing financial support for UNIDO projects in recipient countries. Some donors had adopted a reserved attitude, awaiting concrete results from the reform before taking a decision on their future contributions. He believed they would resume active financial cooperation with UNIDO once the positive results of UNIDO's endeavours to set priorities and focus efforts had been clearly demonstrated. An addendum to the Organization's annual report (IDB.14/10/Add.2) contained information on trust fund contributions. In future that information would be supplied regularly in addition to the information on the Industrial Development Fund.

32. **Mr. DASQUE** (France), speaking on behalf of the European Union, said that the announcement by the United States representative of a large reduction in his Government's contribution to the UNIDO budget placed the Organization in a difficult position. As far as 1995 was concerned, the announcement would affect a budget already voted with the agreement of all Member States. All Members were obliged to meet such commitments in good faith according to international law. The European Union trusted that the United States would settle its contribution for 1995 once its financial difficulties had been resolved. The budget for 1995 was already in course of execution and could not be amended. How was the loss of more than half the United States contribution to be offset? The European Union considered that it was not for other States which contributed to UNIDO to make up for the consequences of one Member State's unilateral decision. It therefore requested the Secretariat to work out a detailed plan of savings and other appropriate measures for 1995, to be implemented as soon as possible and submitted to Member States for information.

33. As far as the 1996-1997 budget was concerned, the serious financial position facing donors and recipients would not be temporary. UNIDO must therefore adopt structural adjustment measures to allow it to operate within its resources. At the present stage, in view of the uncertainties surrounding UNIDO's income, the European Union considered that it was not possible to establish a realistic budget. Consequently, the Director-General should prepare alternative budget proposals so that when the situation was clarified a realistic budget might be adopted at the next session of the General Conference. It would be unreasonable for the current 1996-1997 budget proposals to be adopted in December when it was already obvious that much of the necessary resources would not be available. In that connection it would be useful if the Secretariat would remind the Board of the procedure to be followed for the approval of a scaled-down budget by the Board before its adoption by the General Conference. It might be necessary to hold an extraordinary session of the Programme and Budget Committee to formulate a new budget before the next session of the General Conference.

34. As to the unutilized balances from the 1992-1993 biennium, he recalled that at the Committee's last meeting the European Union had opposed the use of those surpluses for the UNIDO Country Director programme because of the Organization's uncertain financial future. The Union had therefore noted with interest from document IDB.14/28 that the Organization had very properly started to think about emergency plans to meet an increase in arrears of mandatory contributions. It had also noted the Secretariat's request for suspension of financial regulations 4.2 (b) and 4.2 (c) so that it could use the balances he had mentioned. The European Union did not believe that the financial regulations should be suspended whenever it suited the Organization. When the General Conference had agreed at its fifth session to the temporary suspension of financial regulations 4.2 (b) and 4.2 (c), it had also decided that the suspension should not constitute a precedent. It was a doubtful expedient to use the unutilized balances in question as a means of financing the remainder of the present budgetary period. They should be kept in reserve pending clarification of the situation. That in no way prejudged the final use of those sums, a matter which could only be decided when all the relevant facts were available. Having said that, the European Union recognized that UNIDO was facing a genuine crisis. It wished to assist the Organization and appealed to Member States to settle their dues.

35. Turning to the UNIDO Country Director (UCD) programme, he welcomed document IDB.14/25 for its realistic tone and understood that it would be difficult at present to justify even a modest increase in the programme. Although the news of UNDP's financial support for the 1997 programme was encouraging, the European Union considered that UNIDO should for the

moment make only limited improvements to the programme in the light of the resources available.

36. For example, a number of the drawbacks of the present programme identified by the consultants could be corrected at little or no cost, and there were several parts of the programme to which the Organization could already give thought. For instance, the present functions of UNIDO's various divisions and units with regard to field activities should be analysed in depth in order to determine the location and number of field posts and the level of resources to be redeployed from Headquarters to the field. The reporting system should be made the subject of guidelines aimed at improving the quality of the periodic activity reports, a step which would enable UNIDO to take decisions on personnel and resource allocation to field offices on the basis of sound criteria. Moreover, appropriate criteria and procedures should be formulated for the posting of Headquarters staff to the field and links should be established between the Investment Promotion Service and field offices in order to reduce costs.

37. The European Union believed that none of the options set out in document IDB.14/25 could be adopted in the present circumstances. The report contained convincing arguments on the establishment of subregional offices serving 95 countries. The option of strengthening the programme with the help of UNDP resources but without using unutilized balances from other budgetary periods was the best, although for the moment the target of 50 offices was unrealistic. Some of the budgetary estimates of contributions from donor States and host countries were very optimistic. In the present state of uncertainty UNIDO should concentrate on streamlining the programme and reducing costs. The European Union favoured the idea of UNIDO offices being installed in UNDP premises in accordance with General Assembly resolutions on joint premises.

38. **Mr. AKAO** (Japan), referring to item 7 (c), welcomed an improvement in the presentation of the programme and budgets, as well as the maintenance of zero real growth in the regular budget. On the other hand, a greater effort was needed to prioritize activities. His delegation approved the significant reduction in administration and operational support, to the benefit of substantive programmes, and the enhancement of the resources of the Internal Audit Unit. He looked forward to the Director-General's report on the Internal Auditor's recommendations and their follow-up. While endorsing the merging of the quality assurance and evaluation functions, he considered that more resources should be allocated to the Mobilization and Management of Financial Resources Division, and particularly to the Government Funds Unit, in order to strengthen capability to raise financial resources.

39. With regard to item 7 (g), he fully recognized that the implementation of the programme of work and technical assistance depended mainly upon the timely payment of assessed contributions, which was an obligation of all Member States. The current situation in which more than a third of Members had not paid their contributions for more than two years was quite abnormal and he urged all Members to meet their obligations, including arrears, without delay. His own Government had paid a quarter of its 1995 assessed contribution in February and the necessary steps were being taken to settle the remainder shortly.

40. Japan took the view that the unutilized balances of the 1992-1993 budget should be returned to Member States in accordance with the financial regulations. When the General Conference had approved the retention of the balance of US$ 8.9 million from the 1990-1991 budget, many countries, including his own, had stressed that it was an exceptional move that should not be repeated. He could not support the suggestion that the unutilized balances should be retained as contingency funds in view of the uncertainty about payment of dues by a major contributor; that would simply encourage non-payment by Member States. Japan's portion of the balance should not be used to cover the shortfalls of other Member States.

41. On the issue of the 6 per cent regular budget ceiling for technical cooperation activities, his Government had long taken the position, and was unlikely to change it, that technical assistance should, in principle, be financed from voluntary contributions. Japan had contributed about US$ 6 million a year to trust fund resources and the Industrial Development Fund and it planned to continue such contributions in future. In his view, the idea of changing the 6 per cent figure was unrealistic, since it would involve a time-consuming amendment to the Constitution. He therefore strongly opposed the proposal.

42. On the subject of item 7 (i), Japan believed that the UCD programme should become an example to the United Nations system of how UNIDO could respond to challenge while providing an effective service. For that purpose, the programme should be financed by voluntary contributions; it should be strengthened by decentralization, greater delegation of authority and the establishment of a system for rotating personnel between Headquarters and the field; and its local costs should be financed by the host Government. He asked the Secretariat to provide more detailed information on the present operation of the programme.

43. With regard to item 7 (b), the addendum to the annual report which dealt with trust fund contributions

(IDB.14/10/Add.2 and Corr.1) should be submitted in an improved format to the General Conference at its sixth session, with fuller information on the allocation of funds on a geographical and sectoral basis for both third-party and self-financed funding.

44. **Mr. EL HUSSEIN** (Sudan), speaking on behalf of the Group of 77, said that the Group was deeply shocked and dismayed by the announcement that the largest contributor to the regular budget intended to default on its legal obligation to pay its assessed contribution. The plea of domestic political or financial difficulties could not justify the withholding of such payment in full and on time by any Member State. Many countries whose domestic situation was far more difficult had made great efforts to fulfil their commitments to the Organization.

45. The development came at a particularly inopportune time. For the past two years UNIDO and its Members had worked together intensively to transform the Organization into an effective instrument for the industrialization of the developing countries. The effort had yielded good results and was to be enhanced even further. The announcement of non-payment by UNIDO's largest contributor could irretrievably damage the reform process and the Organization itself. No organization could function effectively if subjected to financial uncertainty of such magnitude. Moreover, unilateral action of that kind tended to undermine the whole structure of the United Nations system, which was based on the well-established practice of assessed contributions as it had evolved over the past 50 years. Such action could be a severe set-back to the entire multilateral system and to international cooperation as a whole. It was unfortunate that a major assault on the system, motivated by short-term budgetary considerations, should be taking place when the United Nations was celebrating its fiftieth anniversary.

46. The Group of 77 was gratified to note that the overwhelming majority of Member States had reiterated the commitment expressed at the fifth session of the General Conference to provide political and financial support to UNIDO and to meet their obligations to it. The Group therefore called upon the United States Government to make every effort to pay its assessed contributions in full. At the same time, it urged the Director-General to monitor the financial situation closely and to keep Member States informed of developments. The Group was determined to take every possible measure to ensure that the agreed programmes and activities of UNIDO were carried out to the maximum possible extent. The Group warmly appreciated the principled position taken by the Government of Japan on the question of assessed contributions and urged all Member States, and particularly the major contributors, to make every effort to secure the payment of dues in full.

47. **Ms. LAJOUS VARGAS** (Mexico) pointed out that if UNIDO was to fulfil its objectives it must be given the necessary financial resources. A state of financial uncertainty prevailed, however, and the practice of zero real growth and a decline in UNDP resources had further depressed the Organization's financial situation. As at 31 May 1995 accumulated arrears stood at US$ 119 million. Reserves had fallen to a low level and fluctuations in exchange rates gave rise to additional difficulties. As a result of the introduction of zero real growth and a reduced estimate for voluntary contributions, a negative real growth rate of −3.1 per cent was anticipated for the 1994-1995 biennium. Accordingly, her delegation appealed to all Member States to pay their assessed contributions on time and in full. She was pleased to announce that, despite current difficulties, her country had made arrangements to pay its contribution in full over the next three months. It was vital that Member States in a position to do so should make voluntary contributions.

48. Mexico fully supported the Secretariat's proposals to set up a reserve fund and to suspend the relevant financial regulations in order to allow the use of the unutilized balances of the 1992-1993 biennium to strengthen the Organization's cash flow. However, in the present circumstances, she could not agree to change the 6 per cent figure set as a regular budget ceiling for technical cooperation activities. The resources provided under the existing limit should be used as seed capital to raise additional funds for activities under the medium-term plan.

49. Her delegation approved the proposed programme and budgets, 1996-1997 and commended them to the Board. Generally speaking, the proposals (IDB.14/2) reflected the objectives approved at the fifth session of the General Conference and the reforms that had been introduced, while seeking to consolidate the programme of work by concentrating resources on priority areas. It was gratifying to note that greater emphasis had been placed on substantive activities as opposed to administrative duties, with increases accorded to Major Programmes 300, in particular for field representation, and 600, in particular for training projects and small and medium-sized enterprises.

50. On the subject of the UCD programme, document IDB.14/25 presented two options, of which the first, based on the attainment of the established target of 50 offices, could not be completed before the year 2000, while the second involved the establishment of multi-country and focal point offices. She concurred with the conclusion that in the new world context a strengthened

field representation programme was necessary. Consequently an effort should be made to provide the programme with the financial and human resources it needed in order to meet the growing demands for UNIDO's services.

51. **Mr. POROJAN** (Romania) said that, after hearing the Director-General's introductory remarks and the statements by the United States delegation, he regarded the Director-General's suggestions in the report on the financial situation (IDB.14/28) as even more relevant. In particular, he endorsed the draft decision in paragraph 20 of the report and he approved conclusion 95/2 of the Programme and Budget Committee. In view of the vital importance of the programme and budgets for UNIDO's future activities, the Board should adopt the proposed programme of work and the regular budget for submission to the General Conference. Member States should make every effort to increase their voluntary contributions to the Organization. The Director-General should closely monitor UNIDO's financial situation and, if necessary, convene special sessions of the Committee and the Board to consider ways of dealing with any serious deterioration in the situation. While fully aware of the gravity of the present circumstances, he felt confident that UNIDO would survive and prove capable of overcoming the crisis. He agreed with all those who had commended the rationalization of the Organization's activities and the sound management of its financial resources. In conclusion, he fully supported the Secretariat's proposals concerning the UCD programme, including implementation of the field representation programme based on the target of 50 fully staffed field offices by the end of the century.

52. **Mr. MOAMPEA MBIO** (Cameroon) said that his country, as President of the General Conference, could not remain indifferent to the fact that the future of UNIDO was at stake. At the fifth session of the Conference the Member States had resolved to renew their political and financial commitment to UNIDO, and in the Yaoundé Declaration had called upon the international community to provide additional resources to a reformed organization so that it might have even greater impact in beneficiary countries. Unfortunately there had been no progress in that direction. Indeed, given the final communiqué of the Halifax Summit of the Group of Seven and the prospect of a drastic reduction, if not the termination, of UNDP contributions, there were grounds for doubt and despondency.

53. Accordingly, the basic question facing the Board was how to continue the reform process and in particular how to implement the UCD programme, which was of crucial importance to the developing countries. While grateful for the efforts made in that respect by the management, he awaited further clarification of the issues raised by the Programme and Budget Committee with regard to the UCD programme, the Secretariat's wait-and-see approach towards it and its lack of imagination in seeking new funding sources for the programme. In that context the United States attitude should be a stimulus, not to inaction but to further effort. Perhaps the UCD host countries might consider increasing their contributions and the industrialized countries be invited to make up any shortfall that might arise if the United States decision about its contribution was implemented. He therefore called upon the Board to ask the Secretariat to make practical proposals for expanding UNIDO's resources and carrying the reform process forward. In doing that the Secretariat should join with other organizations of the United Nations system facing similar difficulties. All Member States should offer the Secretariat their support.

54. Morocco had suggested a particular course of action as a result of the United States announcement. The Board might consider sending a special mission or a letter not only to the United States but to all the leaders of the countries of the Group of Seven. His own country would spare no effort to ensure UNIDO's survival. It had already paid its contribution in full up to 1997 and was ready to join in any action that could secure the funds needed to implement the Organization's policy of reform and revitalization.

55. **Mr. CELSO de OURO-PRETO** (Brazil) said that a fundamental commitment towards development was the cornerstone of the international order and instruments like UNIDO were of great importance in bringing that about. His delegation fully endorsed the statement made on behalf of the Group of Latin American and Caribbean countries at the first meeting. Industrialization remained essential to rapid economic and social development, yet achieving it was increasingly difficult, because of its complexity and a lack of political will to provide UNIDO with the necessary resources. He congratulated the Director-General on the action taken so far to restructure UNIDO; his efforts were genuine and his accomplishments, solid.

56. He approved the Director-General's proposal regarding the deployment of unutilized balances for the biennium 1992-1993 in order to reduce the negative impact of unpaid assessed contributions. Brazil regretted that the new financial realities made it impossible to allocate US$ 10 million from those balances, as planned, to strengthening the UCD programme, but it was glad that US$ 3 million was available to the programme from UNDP sector support.

57. UNIDO must strive to address international cooperation in all its aspects, whether political, economic or environmental. Since peace and development were intimately linked, one of the Organization's overreaching concerns should be a renewed effort to achieve comprehensive development. As a way of advancing their own interests, richer nations must become actively involved in efforts to overcome the backwardness of the less prosperous. Brazil had always been prepared to work with that broader objective in mind.

58. **Ms. ROZGONOVA** (Slovakia) said her Government had noted with satisfaction that the financial situation under both the regular and operational budgets for 1994-1995 had been improving steadily as a result of better performance in the payment of assessed contributions, although the latest announcement by the United States of America cast a shadow over that situation. Her country had recently paid the remaining part of its assessed contribution for 1995. It agreed with the Director-General that UNIDO could improve its programme implementation only if Member States paid their contributions in time and if the cash resource base was strengthened. Slovakia supported the proposal that the operational budget reserve should represent 15 per cent of estimated biennial expenditure. In the current financial situation, UNIDO should concentrate its efforts on mobilizing additional extrabudgetary resources and not on eliminating the 6 per cent ceiling for technical cooperation.

59. The report on the Industrial Development Fund (IDB.14/5) indicated a decline in pledges in 1993, caused mainly by the reorganization of the Secretariat and the implementation of reforms. UNIDO had received encouragement from Member States, however, in the increase in voluntary contributions to the Fund in 1994. Slovakia believed that trend would continue, in line with growing confidence in the reorganized UNIDO and the pursuit of the reform process. It understood the Secretariat's argument that the fact that the Fund's resources came mainly from special-purpose funding rather than under the general-purpose convertible segment hampered the preparation of projects for technical cooperation. Slovakia had made special-purpose pledges to the Fund at the thirteenth session of the Board; its voluntary contributions had been increasing over the years and it would consider the possibility of making general-purpose as well as special-purpose contributions in future.

60. **Mr. MARCHAN** (Ecuador) endorsed the statement made earlier in the meeting on behalf of the Group of 77. His delegation supported the Director-General's proposal for a temporary suspension of financial regulations 4.2 (b) and 4.2 (c) in respect of the 1992-1993 biennium so as to allow UNIDO, for the purposes of strengthening its cash flow, to retain the unutilized balances in the amount of some US$ 14 million. That proposal was even more relevant in view of the announcement by the United States of America that it would drastically reduce its contributions to the Organization. The development of contingency plans to deal with that situation was a priority and his delegation would approve the convening of special sessions of UNIDO's decision-making bodies for that purpose. Though Ecuador considered the figure set as a regular budget ceiling for technical cooperation activities to be inadequate, in view of the situation created by the United States announcement it would agree to a temporary postponement of discussion on that issue.

61. His delegation welcomed UNDP's allocation of US$ 3 million to the UCD programme for 1997. Of the various options for field representation outlined in document IDB.14/25, the first was the best, namely to use the US$ 3 million provided by UNDP and US$ 10 million from unutilized balances. The projected drop in contributions by the main contributor would certainly have a drastic impact on the budget. Yet UNIDO Country Directors were of crucial importance as a link between Headquarters and Member countries, and also because they enabled UNIDO to meet the new requirements of developing countries more efficiently and more rapidly. His country urged the establishment of subregional UNIDO offices as a response to the growing demand for services in the industrial sphere, as well as the provision of more support for regional and subregional intergovernmental economic cooperation among developing countries. The cooperation that could be furthered by UNIDO was of fundamental importance for his country, particularly in the areas of industry and the environment. Ecuador stressed the need for more efficient planning and coordination of technical cooperation and assistance missions to Member countries.

62. **Mr. DAMANPAK JAMI** (Islamic Republic of Iran) said his delegation had taken note with concern of the information in the report on the financial situation of UNIDO (IDB.14/28). UNIDO had collected only 37 per cent of the assessed contributions to its 1995 regular budget and the total amount of contributions outstanding was over US$ 119 million, equivalent to 100 per cent of the annual budget. If that trend did not improve before the end of 1995, the Organization would face unprecedented cashflow problems which would severely hamper its capacity to deliver technical cooperation. The Secretariat should take appropriate measures to avoid a cash crisis in 1995 and the following biennium by using cost-cutting measures and the unutilized balances for 1992-1993. That would not excuse Member States from fulfilling their duty to pay their assessed contributions to the Organization in full and on time,

so as to allow the reformed UNIDO to implement its approved programmes.

63. The unilateral action foreshadowed by the major contributor to the UNIDO budget contradicted the norms governing international organizations and threatened the very structure of the United Nations system. UNIDO would survive even without some of its Member States — as had UNESCO — but action of that kind was not a reasonable or accepted practice in international relations. Though his Government faced domestic problems emanating from its post-war rehabilitation effort and development programmes, it had made every effort to discharge its financial commitments to agencies such as UNIDO. In 1994 it had paid over US$ 1.3 million of accumulated arrears as well as its assessed contribution. It was taking steps to pay the amount outstanding for 1995, though there might be delay due to the incompatibility of UNIDO's fiscal year with that of his country.

64. He commended the Director-General for the constructive information on the UNIDO field representation programme provided in document IDB.14/25. As the note pointed out, the present programme was ill-equipped to respond effectively to changing demands for services. As part of the ongoing reforms, field representation should be enhanced, since it was the most important tool for promoting and delivering diversified UNIDO services at the country and regional levels. The time had come to agree on a permanent way of financing the cost of field representation out of UNIDO's internal resources, through a combination of regular and operational budget funding, as well as out of resources from UNDP and voluntary contributions.

65. With its wealth of experience in industrial development, the Organization was called on to support the regional and subregional intergovernmental economic cooperation entities operating among developing countries and to respond to their increasing demands for its services, *inter alia*, through the establishment of appropriate subregional offices. A subregional office at the Economic Cooperation Organization, an intergovernmental regional entity comprising 10 Member States in central and western Asia, would facilitate the flow of investment and technology to the new countries in the region and enhance regional cooperation for industrial development. In conclusion, his delegation joined in the developing countries' support for the Director-General's proposals for a new framework for field representation in paragraphs 26-34 of document IDB.14/25 and it fully supported the statement made on behalf of the Group of 77 concerning the financial situation of UNIDO.

66. **Mr. BAJOWA** (Nigeria) said his delegation fully endorsed the comments made on behalf of the Group of 77 with regard to UNIDO's financial situation. The drastic reduction in the contribution of the major contributor would adversely affect the industrialization of developing countries, especially those in Africa. It was encouraging to see the stand taken on the matter by the Japanese delegation. His own delegation reaffirmed its continued support for UNIDO.

67. UNIDO Country Directors were of great importance for the speedy industrialization of African countries. In order to promote that, the UCD programme must be strengthened. The Nigerian private sector had shown increased interest in UNIDO's technical assistance and advisory services since a substantive Country Director had been assigned to Nigeria in 1995. His Government was confident that the strength of the Nigerian economy in the West African subregion would ensure recognition of UNIDO's role there and support from UNIDO Headquarters. The entire programme should be adequately funded.

68. **Mr. SOKOLOV** (Russian Federation) said the expected reduction in contributions to the regular budget for 1995 was apparently attributable to a lack of the political will of some Member States to support UNIDO. Cost-saving measures took on greater importance in such circumstances, especially in branches of the Organization not directly connected with its main activities. Should such measures prove inadequate to compensate for the reduction in contributions, programmes should be inventoried and those of lowest priority curtailed and even abolished. Believing that a close link should be maintained between expenditure and income, the Russian Federation would insist on allocations being curtailed to match any reduction in contributions. Given the current financial uncertainty, the Organization must be more dynamic as well as more prudent.

69. His delegation welcomed the Secretariat's wish to establish a closer correlation between UNIDO's priorities and its financial support. The scale of assessments for 1996-1997 was similar to that of the United Nations, and as such acceptable to his delegation, though it did not reflect the real capacity to pay of some Member States. His delegation intended to work towards a speedy reform of the scale of assessments.

70. In order to increase the volume of technical assistance provided through UNIDO its competitiveness and its attractiveness to donors must be enhanced. Under circumstances of zero real budgetary growth, or as now seemed likely, negative real growth, an increase in the 6 per cent figure set as a regular budget ceiling for technical cooperation activities

was permissible only if offset by a reduction or elimination of other programmes. Areas where such steps could be taken should be identified immediately.

71. The Secretariat's scenarios for field representation were correct and did not need to be discussed further. The Secretariat itself should be left to determine future action in that respect in the light of available financial resources.

72. As an active Member of UNIDO and an economy in transition, the Russian Federation required specific services for its introduction of market-economy industrial techniques. Its support for UNIDO and the ongoing reforms was demonstrated by the fact that, despite its continuing economic difficulties, his Government had been able to contribute US$ 8 million to UNIDO's budget, thereby nearly meeting its financial obligations for the year 1995.

73. **Mr. SÖLENDIL** (Turkey) said his delegation was aware of the constraints UNIDO faced in strengthening the field representation programme. It believed there was a pressing need for stronger field representation in order to improve interaction with a diversified clientele and provide direct advisory services. A flexible approach to establishment of field offices should be adopted: they should be maintained, qualitatively and quantitatively, at their current level, within available financial resources. He welcomed the fact that a UNIDO Country Director had finally been appointed for Turkey.

The meeting rose at 1 p.m.

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Industrial Development Board

Fourteenth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 28 June 1995, at 3 p.m.

President: Mrs. OK (Turkey)

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The meeting was called to order at 3.10 p.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

(a) SCALE OF ASSESSMENTS

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT

(c) PROGRAMME AND BUDGETS, 1996-1997

(d) WORKING CAPITAL FUND

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(h) INDUSTRIAL DEVELOPMENT FUND

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(*continued*) (IDB.14/2 and Corr.1, IDB.14/3, IDB.14/4 and Add.1, IDB.14/5, IDB.14/6 and Add.1, IDB.14/9, IDB.14/10/Add.1 and Corr.1, IDB.14/10/Add.2 and Corr.1, IDB.14/10/Add.3, IDB.14/13, IDB.14/20, IDB.14/25, IDB.14/26, IDB.14/28; IDB.14/CRP.3; PBC.11/8 and Corr.1)

1. **Mr. PARODI** (Chile) supported the statement on item 7 made by the Chairman of the Group of 77. He welcomed the fact that the Secretariat had taken positive steps to streamline the programme and budgets of the Organization, to reduce administrative and operational costs and to improve its management procedures, all of which was reflected in the proposals submitted to the Board.

2. His delegation was, however, concerned by the difficult financial situation likely to arise following the substantial decrease in its contribution that one Member State was expected to make. Such a step would have a very negative effect on an organization which was making worthwhile efforts to improve and modernize its working methods and respond better to the changing world situation and the changing needs of its Members. Both the process of reform and efforts to increase assistance for the developing countries would be jeopardized.

3. Chile hoped that all Member States would fulfil their obligations to the Organization in accordance with its Constitution.

4. **Mr. AZIRIA** (Algeria), speaking on behalf of the African Group, wished to inform the Board that the Assembly of Heads of State and Government of the Organization of African Unity (OAU) which was currently meeting had adopted a resolution expressing support for UNIDO the previous day. He would be grateful if the Secretariat would distribute the resolution to the Members of UNIDO.

5. **Mrs. TEPATANAPONG** (Thailand) expressed her delegation's concern about UNIDO's financial situation in view of the possible reduction in contributions. A cut in the contribution of the United States of America would have serious effects on UNIDO's financial position and the implementation of its programme. Her delegation wished to call on all Member States to fulfil their obligations under the Constitution and pay their assessed contributions to the Organization in full.

6. With regard to document IDB.14/6 and Add.1 and the budgetary allocation for technical cooperation, her delegation believed that it would not be advisable at present to change the 6 per cent figure for technical cooperation activities. The matter might more appropriately be discussed in the future. Regarding the UNIDO Country Director (UCD) programme, her delegation believed that the number of UCD offices should gradually be increased until they reached 50, including three subregional offices, or at least maintained at the current level. It also believed that UNIDO's field representation should be financed from the regular budget in line with similar practice in other specialized agencies. Regarding document IDB.14/25 on future field representation, only option (a) (paragraphs 26-34) was acceptable to her delegation. Since the Executive Board of UNDP/UNFPA had already authorized the allocation of $3 million up to the year 1997 to finance the UCD programme, scenario 1 under option (a) was preferable. Her delegation welcomed the Secretariat's proposal to recruit at least one National Professional Officer for each field office, a step which would undoubtedly facilitate the work of the UCDs. The target date of the year 2000, however, might have to be extended if a major contributor reduced its regular budget contribution and the 1992-1993 unutilized balances could not be used. Member States should therefore be urged to make all possible efforts to increase voluntary contributions in support of the programme.

7. **Mr. SZYMANSKI** (Poland) noted that the activities planned for the coming biennium and the resources allocated to them had been grouped by organizational units. That made it more difficult to assess the compatibility of the programmes and budget with the goal of focusing UNIDO activities. That weakness was partly compensated by the introduction to document IDB.14/2 and the linking of individual programmatic themes to the programme and budgets in document IDB.14/13.

8. The following were positive features: conformity with the requirement of a zero growth rate in the UNIDO regular budget; more realistic prediction of operational budget income; efforts made to strengthen the substantive units of the Secretariat through savings on administrative and support activities and emphasis on income-generating activities; efforts to concentrate UNIDO activities. Further efforts needed to be made to coordinate priorities and to focus UNIDO activities for 1996-1997.

9. He was concerned by the current financial difficulties faced by UNIDO and had noted that contingency plans were being prepared for use in the event of a major shortfall of resources from assessed contributions. His Government continued to support all measures aimed at making UNIDO more cost-effective.

10. **Mr. DE FIGUEIREDO** (Observer for Angola) said that the Board was meeting at one of the most difficult periods in UNIDO's history, but that the present crisis might be turned to advantage if the current reforms were carried out successfully and if Member States fulfilled their obligations to the Organization.

11. His Government believed that UNIDO could play an increasingly valuable part in assisting the developing countries in the process of industrialization. The establishment of a sound industrial sector was essential to social and economic progress. The Organization could be made more efficient. His Government wished to encourage the Director-General to pursue the ongoing reforms and hoped that the process would allow UNIDO to place greater emphasis on specialization, with high-level experts capable of working effectively. To achieve that end, however, it would not suffice to lay down principles and priorities and change the structure of the Organization. The working methods and attitudes of the Secretariat would need to change as well.

12. Implementation of the new strategy of field representation was an area in which the reforms should show their worth. The paucity of available resources was such that priorities had to be established. In that respect, his Government hoped that the interests of the African region and especially those of the least developed countries would be given priority. The presence of UNIDO was most needed where national capacities were clearly lacking. The temptation should be resisted to give priority to countries considered more attractive at the expense of the poorer countries. Countries which were not in a position to cover part of local expenses should not be punished for their lack of resources.

13. The transfer of staff members from the Secretariat to the field might be necessary because of the inadequacy of resources. There again, competence and professional experience should be the first criterion in selecting the staff members concerned.

14. **Mr. PRASAD** (India) said that his delegation was deeply concerned about the financial situation of UNIDO, after hearing the statement made by the United States delegation at the first meeting of the session. It supported the efforts made by the Director-General to work out appropriate measures to deal with the problem. Such efforts should focus on preparing an expenditure plan for 1995 and 1996-1997 and on implementing agreed priority programmes and activities.

15. His delegation agreed that the 1996-1997 budget should be approved for the present and contingency plans for expenditure management considered by a special session of the Programme and Budget Committee and a resumed session of the Board shortly before the next General Conference session, when more accurate information on payments of contributions might be available. Priority substantive programmes and activities should be maintained and expenditure reduced on administrative and non-development activities.

16. His delegation appreciated the information and assistance provided to permanent missions to help them establish electronic linkages with UNIDO. It was glad to note that the computerization system was being applied to expert recruitment, procurement and travel, and hoped that that would lead to further savings and reduced staff requirements while also improving efficiency and monitoring. Such measures should be extended to other aspects of UNIDO operations, particularly with regard to project appraisal, formulation and implementation.

17. Regarding the Industrial Development Fund (IDF), his country would continue to make its annual contribution of $1 million to the Fund. It had also made substantial contributions towards the International Centre for Genetic Engineering and Biotechnology and was considering contributions towards an international centre for advanced manufacturing technology. It welcomed the progress made in securing funding for projects under the Montreal Protocol and the Global Environment Facility and would support further efforts in that area.

18. It also supported the action taken to diversify sources of funding for projects, for example from development financing institutions and private-sector industrial projects under trust funds.

19. His country fully supported steps to strengthen the UCD network, although resource constraints might lead

to a delay in reaching the target of 50 offices by the year 2000. India welcomed the fact that UNDP was making available $3 million for the programme and hoped that further efforts would be made to mobilize resources from donors and host countries. The use of electronic networking might enable UNIDO to work better with industrial actors in developing countries on a cost-effective basis.

20. **Mr. VON KOPPENFELS** (Germany) asked whether the contingency measures for the remainder of 1995 mentioned by the Director-General at the previous meeting included a call on the Working Capital Fund. His delegation hoped that that was not the case. The purpose of the Working Capital Fund was to bridge short-term liquidity problems arising from delays in the receipt of contributions and not that of compensating for non-payment. Having recourse to the Working Capital Fund to compensate the non-payment of contributions would undermine the revolving nature of the Fund for it would be impossible to expect that any contributions to replenish it would be made.

21. **Mr. Seung Kon LEE** (Republic of Korea) said that his delegation had noted with concern the possibility that UNIDO's income for 1995 might be reduced. The uncertainty of the financial outlook threatened the growing stability of UNIDO's financial situation. His delegation was therefore inclined to agree with the suggestion that financial regulations be suspended temporarily and unutilized balances for 1992-1993 retained to strengthen the cash position of UNIDO. It was, of course, essential for contributions to be paid in full and on time and he appealed to all Member States, particularly major donors, to pay any arrears without delay.

22. His delegation agreed that field representation should be increased and strengthened as an indispensable policy element of the reformed UNIDO, and welcomed the fact that UNDP would be providing $3 million for it in 1997.

23. It had studied with interest the suggestions set out in document IDB.14/25 for a new framework for field representation. Scenario 1 under option (a) or scenario 5 under option (b) were attractive, but financial constraints might preclude them. Options (a) and (b) were perhaps complementary rather than contradictory and his delegation hoped that a new and more feasible scenario combining the ideas of the two options might be worked out before the sixth session of the General Conference.

24. It supported UNIDO's plan to establish subregional offices but wondered whether there was a difference between subregional and multi-country offices. It urged the Director-General to work out a detailed plan for the redeployment of headquarters posts to field offices through rotation. Additional resources should be mobilized through voluntary contributions by donor and host countries alike, and his delegation supported the idea of establishing a special field representation fund. It also believed that UNIDO should make further efforts to obtain contributions from host countries to cover local office costs.

25. **Mr. HOBEICA** (Lebanon) said that his delegation fully shared the concern expressed regarding the decision of the United States of America to reduce its contribution by one half. That decision was bound to have negative effects on UNIDO, on the implementation of its programme and on countries benefiting from UNIDO's activities. It was unfortunate that such a decision should be made at a time when the international community was celebrating the fiftieth anniversary of the adoption of the United Nations Charter. UNIDO was an important part of the United Nations system and the developing countries placed their trust in it. His delegation wished to request the United States to continue to fulfil its obligations to UNIDO to enable it to carry out all the reforms now under way and to continue to fulfil its mandate for the benefit of international cooperation.

26. The proposed budget for 1996-1997 constituted the minimum necessary to allow UNIDO to carry out its programme. His delegation had noted the Director-General's reforms and the fact that 9 per cent of the administration budget had been cut. Failure to adopt the budget as set out in document IDB.14/9 would constitute a major setback for the developing countries and he wished to ask the Director-General to put forward proposals aimed at finding the resources required to enable the budget to be kept at the level at which it had originally been submitted.

27. **Mr. SHAH** (Pakistan) said that it now seemed likely to be difficult, if not impossible, to carry out all the programmes and activities envisaged unless some Member States increased their voluntary contributions or the Secretariat managed to mobilize additional resources. Non-payment of its assessed contribution by a major State would clearly impair the Organization's ability to deliver the services needed. However, donor countries had withdrawn from UNIDO in the past, and other international organizations had continued to exist despite the withdrawal of some member States.

28. He was in agreement as to the need for full and timely payment of assessed contributions. He would ask the Director-General to work out contingency plans to adjust UNIDO activities to the new financial realities

with a view to lessening their adverse effects, especially on priority areas. He was confident that UNIDO would overcome its current difficulties.

29. While UNIDO would not be able to implement all its planned activities, there were some areas which required special attention. Field representation was one such area and he therefore wished to suggest that UNIDO continue to strengthen its UCD programme.

30. UNIDO provided a wide range of services to promote the industrial development of the developing countries. Budget growth was already at zero and was likely to become negative in view of recent developments. That would necessitate further sharpening of focus. In that connection, he wished to stress the importance of UNIDO's assistance in the promotion of the transfer of technology and in investment promotion, and the regional dimension of UNIDO's activities.

31. **Mr. DE MARIA Y CAMPOS** (Director-General) said that he wished to thank speakers for their comments on the documents presented and the sympathy they had expressed concerning UNIDO's problems. The situation now facing UNIDO following the announcement made by the United States of America was alarming, since 25 per cent of the regular budget was involved, and the Organization was at the end of a biennium. The reduction in income would hit current programmes and activities very hard. Fortunately, UNIDO's resources had been prudently managed and expenditures kept down during the first six months of 1995 and the savings resulting could be used to offset the reduction in income to some extent — but only partially. If the United States contribution was reduced as announced, he would be obliged to make serious cuts in expenditure and launch an emergency programme immediately. Many programmed activities would not take place and meetings might be cancelled. Such an emergency programme was already being discussed.

32. He wished to ask the Board to adopt a clear resolution on the programme and budget for the next biennium at the end of its current session. The programme budget was the basic instrument for the work of UNIDO. The proposals had been prepared in accordance with the existing mandate and on the basis of the present number of Member States and the established scale of assessments; no changes could be made unless official notification was received of a withdrawal of the United States of America from UNIDO. As long as that country remained a Member of UNIDO it had an obligation to pay its assessed contribution. Nevertheless, the Secretariat had to advance its preparation of contingency plans in view of what had been stated during the current session of the Board by representatives of that country. Revised expenditure plans could be prepared on the basis of a predicted shortfall in payments. As for a withdrawal of the United States from membership, that would have major implications for the Organization and would require a revised programme and budget, with perhaps the identification of entire programmes that would have to be eliminated.

33. Regarding unutilized balances, which were needed for dealing with cash flow problems, some members had expressed concern that they might be used to offset the shortfall in contributions of a Member State. Those unutilized balances had been brought about basically by late payments from Member States, and it would be fair to use them to offset future late payments. Several other Member States were in arrears, though the levels were not as high as in the case of the United States of America. He urged the Board to consider the health of the Organization and its programmes and permit financial flexibility.

34. As for the Working Capital Fund, its purpose was to deal with short-term liquidity problems and it would certainly not be used to offset major shortfalls unless approved by the Board. The Secretariat's proposal to establish a contingency special reserve had a similar purpose, and he hoped that the Board would approve it. The demands that there would be for reductions in expenditure for the rest of the current year would be very sizeable as things stood, but until an emergency programme could be drawn up it was difficult to be certain that the Organization would be spending all the resources allocated for the current year, and it was better for resources to be well used than for UNIDO to be forced to use them in a given year because of lack of flexibility. He hoped that the Organization would not have to use such reserves, but it might be useful to put some funds from the current biennium in a contingency reserve.

35. He would continue to endeavour to persuade the United States of America to recognize the relevance of UNIDO and to remain a Member of the Organization, and would welcome all assistance in that effort. It was also fundamental that all Member States should pay their contributions in full; some which were in the midst of financial difficulties or structural adjustment programmes, or were coping with the consequences of natural disasters, were doing so, while others which were relatively prosperous were not. He asked for the support and generosity of Member States. The Organization's programmes must be continued, and efforts should be made to increase voluntary contributions, especially in order to avoid any reduction in technical cooperation activities. The Secretariat had done all the requested

work regarding the possible reform of the 6 per cent ceiling for technical cooperation in the regular budget, but it did not seem timely to discuss that matter when there were big problems affecting the regular budget. Field representation was an area of UNIDO where fundamental change still had to be made. However, in the present situation, with dwindling UNDP contributions, all that had been possible had been to redistribute some posts to the field. From a pragmatic viewpoint, it seemed that the further development of field representation would have to be postponed. Finally, he urged Board members to give serious thought to the establishment of a fund with voluntary contributions, and suggested that all Member States interested in establishing offices at national or subregional levels should analyse along with the Secretariat any possible solutions there might be to the field representation problem.

36. **Mr. VAN RAALTE** (Managing Director, Division of Administration), referring to the question of possible budget revisions, said that, under financial regulation 3.10, the procedure for revising the budget was essentially the same as that for the establishment of the original budget. The process of preparing estimates was a very difficult one, and it would be even more complicated if there was uncertainty about the exact size of any reduction involved. Regarding the Working Capital Fund, regulation 5.4 made the General Conference responsible for determining its amount and purposes, and provided for advances to be made from it only for those purposes. The General Conference had laid down that such sums could be advanced from the Fund as might be necessary to finance budgetary appropriations pending the receipt of contributions, and that the sums were to be reimbursed as soon as receipts from contributions were available for that purpose (see Conference decision GC.2/Dec.27).

THE REGIONAL DIMENSION

(a) SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA

(b) SPECIAL PROGRAMME FOR INDUSTRIAL DEVELOPMENT IN THE ARAB COUNTRIES, INCLUDING TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE

(c) SPECIAL PROGRAMME FOR THE INDUSTRIAL DEVELOPMENT OF ASIA AND THE PACIFIC

(d) REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN

(IDB.14/10, IDB.14/15, IDB.14/18, IDB.14/19, IDB.14/21)

37. **Ms. KING-AKERELE** (Managing Director, Country Strategy and Programme Development Division) said that 8 of the 14 industrial sector programming missions fielded in the African region in the previous year had been to least developed countries (LDCs), which were one of UNIDO's key priorities. For the next biennium under IDDA, a significant proportion of certain categories of support, such as supplementary activities, were to be allocated to LDCs. The special programme of assistance for Asian LDCs had been successful and was moving into a second phase.

38. An improved quality management system for UNIDO's services had been established following concern expressed by major donors in 1991 regarding the quality of the Organization's technical cooperation projects. A quality management system for development cooperation had been adopted, and she was happy to report that representatives of the same major donors and multilateral agencies had confirmed recently that the concepts of the UNIDO quality system were more advanced than their own.

39. Draft regional strategies for all developing regions were being finalized. In the last quarter of 1994, industrial sector programme review missions had been sent to 14 African countries in response to the Yaoundé Declaration and the Mauritius Declaration, and had reviewed the needs of industry in each country with a view to identifying how UNIDO could best respond to them. Many of the priorities identified were upstream or preparatory in nature or related to the strategic management of industrial development (SMID) and assistance in designing long-term visions for industrial development. In Kenya a successful workshop on SMID had been held in March 1995, and UNIDO consultants were following through and deepening that process; Uganda and Tanzania were also being assisted in setting up the SMID process. A project identification mission on phasing out ozone-depleting substances had been completed in Côte d'Ivoire; in Benin a training workshop for women entrepreneurs in the field of food processing had been scheduled for July 1995; a team of consultants would be arriving in Ghana in August 1995

to undertake an in-depth study of the packaging industry. Missions to Cameroon, Chad, the Central African Republic, Ethiopia, Gabon, Madagascar, Morocco and the Eastern/Southern and West African subregions were under preparation for later in 1995.

40. Steps had been taken to improve the support services provided for IDDA. As part of the general revision of the services management process, IDDA funds had been brought under the management of the Programme and Project Review Committee (PPRC). For technical assistance activities, a new screening methodology had been implemented and an integrated package of project concepts developed. In order to maximize efficiency, the IDDA coordination function had been integrated into the Africa Programme. The recent private-sector forum sponsored by UNIDO and UNDP had been a unique opportunity for interaction between Africa's private sector and Ministers of Industry. A follow-up mechanism had been set up with emphasis on the national and subregional levels. Since the last session of the Programme and Budget Committee, informal consultations had been started with the African Group and would be held initially on a quarterly basis.

41. The Asia and Pacific region had experienced impressive rates of growth in the period 1980-1990, with the industrial sector being one of the most significant engines of that growth. The Special Programme for the Industrial Development of Asia and the Pacific was particularly aimed at the development of the LDCs in the region, with its main focus being on two industrial themes in the agriculture sector, namely the agriculture-related metalworking and food-processing industries. In view of the industrialization needs in Asia and the Pacific, the Director-General had decided to convene, in cooperation with ESCAP, a regional meeting of ministers of industry to gain an overview of the constraints and how to overcome them in order to accelerate industrial development in the region. Industrial sector review missions were planned for Nepal, Indonesia, China, Fiji and Papua New Guinea.

42. Turning to the Special Programme for Industrial Development in the Arab Countries, including technical assistance to the Palestinian people, she said its key priority areas were human resource development, the development of national and regional technological capacities, upgrading the competitiveness of industrial products, standardization and quality control, industrial management information, and food security through the development of agro-industries. Regular budget appropriations for 1994-1995 for financing regional activities exceeded $500,000, supplemented through cost-sharing and financial contributions by collaborating organizations. A programme strategy for services to the Palestinian people had been prepared to support industrial development in the West Bank and Gaza Strip. The emphasis was on private-sector development for industry, small and medium enterprises, human resource development for industry, the acquisition and application of new technologies to enhance competitiveness, and regional industrial cooperation and integration. Some 14 project concepts had been identified and discussed with the Palestinian authorities and industrialists, and UNIDO would be organizing, jointly with the Palestinian Authority, a workshop to identify and prioritize problems to be addressed. A dialogue was already taking place with the World Bank and UNDP with regard to UNIDO providing support in the execution of industry-related programmes of assistance to the Palestinian people. Industrial sector review missions were planned to Morocco, Palestine, the Syrian Arab Republic, Lebanon and Saudi Arabia.

43. UNIDO's activities in Latin America and the Caribbean were focused on enhancing the competitiveness and productivity of the industrial sector. UNIDO was dealing with selected industrial branches and/or enterprises and supported the strengthening of industrial sector institutions. It was also involved in the aspects of the industrial sector as a whole, with particular relevance to the new world-wide forms of competition. There was special emphasis on the modernization of industrial branches in which small- and medium-scale industry had an important role, since SMEs had a key function in the new paradigm of production flexibility and a great impact on employment and regional value-added. The LAC Programme had been endeavouring to improve the dialogue with other organizations, at regional and subregional level. A number of joint activities reflected the collaboration between UNIDO and the Economic System for Latin America (SELA). UNIDO was promoting a subcontracting programme and also an intersectoral project involving the regional level and focusing on market relationships and the solution of common problems through cooperation in such aspects as packaging, quality and marketing. Programmes were also being promoted that were aimed at establishing strategic alliances between enterprises in different countries, such as Honduras and Nicaragua. Industrial sector studies were being carried out, there had been an industrial sector review mission to El Salvador, and there were plans for missions to Colombia, Mexico and Jamaica.

44. Significant progress was being made in relations with the Eastern European countries and there was close collaboration with the Mobilization and Management of Financial Resources Division. Many of the countries concerned had indicated that they were ready to serve as

donor countries, notwithstanding their recipient status, and UNIDO planned to develop that aspect of its work with them. Experiences from the developing countries were also proving useful in UNIDO's work with the countries with economies in transition. Regular briefings were being held with them, and such briefings were also planned with the GRULAC countries, the Asia and Pacific countries and the Arab countries.

45. **Mr. DE MARIA Y CAMPOS** (Director-General) said that the UNIDO Secretariat was highly gratified at the support the Organization received from the developing countries in general and also from the countries with economies in transition, but he wished in particular to thank the African countries for the resolution of support to UNIDO and UNCTAD recently adopted by the Assembly of Heads of State and Government of the Organization of African Unity. The resolution represented a very clear decision at the highest level to support UNIDO and UNCTAD and to reaffirm the fundamental role of industrialization. The resolution welcomed the efforts made by UNIDO to restructure and to implement its priority programmes, especially in Africa, and encouraged the Director-General to continue the Organization's efforts to accelerate the industrialization of Africa. The resolution deplored the tendency by certain groups in the international community to marginalize those United Nations bodies which were of particular advantage to the developing countries and to question the continued existence of UNIDO and UNCTAD. It urged the developed countries to support, maintain and strengthen UNIDO and UNCTAD as the main organizations in the United Nations system responsible for industry, trade and development, reaffirmed Africa's total support for UNIDO and UNCTAD as very important instruments for the industrialization, trade and development of African countries, and called for efforts to strengthen and reinvigorate the two organizations.

46. **Mr. SOM** (Observer for Malaysia), speaking on behalf of the Asian Group, said that, despite the impressive performance of some countries, there were ever-widening inequalities and imbalances in the level of socio-economic and industrial development in the region. Thirteen out of the 47 least developed countries were located in the Asia-Pacific region.

47. The Asian Group fully supported UNIDO's endeavours to pursue a differentiated approach, evident in a wide variety of tailor-made upstream policy advisory services with an increasing emphasis on up-market technology for the region's more advanced developing countries and a focused approach to accommodate the special needs of the transitional and least developed countries, paying increasing attention to questions of industrial dispersal, rural industrialization and subregional cooperation. Those efforts were appreciated all the more as they were being pursued in a difficult staffing situation in the Asia and Pacific Programme, which should be strengthened in terms of both the quantity and quality of its staff.

48. The Group welcomed the collaborative approach under the LDC component of the UNIDO Special Programme for the Industrial Development of Asia and the Pacific, particularly in its agro-related metalworking regional project. It would like to see similar progress made in formulating and implementing regional support projects, for instance in the food-processing industry.

49. The Group thanked the Secretariat for its organization of the Regional Meeting of Ministers of Industry of Asia and the Pacific to be held at Bangkok in November 1995. That Meeting would give an excellent opportunity to address a number of issues related to competition in an increasingly global world economy, and the questions of ecologically sustainable industrial development, investment and technology transfer, the special situation of the least developed countries and the strengthening of industrial cooperation within the region. It was hoped that the Meeting would provide a valuable input to the sixth General Conference session.

50. While the Group noted with concern the decline in technical cooperation expenditure for the region, owing to cuts in UNDP funds for the fifth programme cycle, it welcomed the measures initiated by UNIDO, which was, *inter alia*, more aggressively seeking a larger share of diminishing UNDP funds and launching in-house efforts to further increase efficiency in the use of existing resources. More vigorous efforts should be made to diversify sources of funding for technical cooperation, using such mechanisms as the Montreal Protocol and the Global Environment Facility. ECDC/TCDC activities were also valuable.

51. He hoped that the ongoing reform of UNIDO would soon yield the expected results. It was important to emphasize the continued relevance and key role of UNIDO as the lead agency within the United Nations system for assistance in the promotion of industry, which was a crucial element in socio-economic development.

52. The Group emphasized its continued and constructive support for UNIDO.

53. **Mr. JAMAL** (Qatar), speaking on behalf of the Arab States, said that those States had supported the restructuring of the Organization as well as the Yaoundé Declaration. The Arab States reiterated their support for

the Organization and its activities, particularly after the views recently expressed by the Commission on Global Governance and by the Group of Seven at Halifax.

54. UNIDO still had an essential role to play in the economic and social development of developing countries in general and the Arab States in particular. Its support was needed in the development of human resources and training, particularly in the area of the transfer of technology. More opportunities should be made available for service in the Secretariat. The successful cooperation between UNIDO and the Multilateral Fund for the Implementation of the Montreal Protocol should be taken as an example for the support of other UNIDO activities, including participation in facilitating the access of developing countries to environmentally clean technology.

55. The Arab States had noted that the activities of the Second Industrial Development Decade for Africa concentrated on sub-Saharan African countries and believed that North African countries should not be neglected.

56. The Arab States called upon all Member States to pay their contributions to the budget in order to enable UNIDO to perform the tasks entrusted to it. It was also important to bolster operational budget resources by using non-traditional sources of funding, in which context projects under special development funds were important. All States that could increase their contributions should do so.

57. He regretted that document IDB.14/15 lacked the information that was necessary for assessment of activities carried out under the regional programme since the General Conference session at Yaoundé. There was also a lack of clarity regarding expenditure on the programme. That document and document IDB.14/10/Add.1 showed that most of the activities approved had been delayed until the last quarter of the period 1994-1995. There was no reference to the status of programmes approved in advance as priorities for the programme for Arab countries.

58. On the bilateral level, information available regarding 1994 showed a decrease by comparison with 1993 in the level of projects implemented in the Arab region except for those under the Montreal Protocol.

59. He urged the Director-General to find ways and means of ensuring that activities were carried out that were of value to the region, including technical assistance to the Palestinian people. It was also necessary to use Arabic in regional studies published by UNIDO in order to make them more useful in Arab countries. The number of UNIDO regional offices, country offices and investment promotion offices in the Arab region should be increased to enhance UNIDO's activities there.

60. More follow-up was needed with regard to the cooperation agreement between the League of Arab States and UNIDO signed in June 1994, in order to generate cooperative projects servicing the Arab region. In line with the directives of the General Conference, UNIDO should strengthen cooperation with the Arab Industrial Development and Mining Organization (AIDMO), using the latter's expertise in formulating programmes, projects and priorities for Arab States and for the Second Industrial Development Decade for Africa.

61. **Mr. KOC** (Turkey) noted with satisfaction the technical assistance to be provided to the Palestinian people. He welcomed UNIDO's efforts in preparing a programme strategy for services to the Palestinian people to support industrial development on the West Bank and in the Gaza Strip in order to improve the living standards of the people. He hoped UNIDO would obtain the necessary support for the execution of related programmes from international financial institutions.

62. **Mr. JAMAL** (Qatar), speaking on behalf of his own delegation, welcomed the attention given by UNIDO to the Arab region, although his delegation would have hoped that cooperation in that context might have proceeded on a broader and more effective basis.

63. He shared UNIDO's view concerning the establishment of a strategy for work and cooperation with the Arab countries and thought it was necessary to refine priorities with regard to the services provided to existing industries and future cooperation projects in order to ensure a sound industrial base. That should cover the promotion of small and medium enterprises, industrial diversification, the adoption of environmentally clean technologies in extracting and manufacturing industries and the development of food production and marketing.

64. He also welcomed the regional workshops in the Arab region on such subjects as the potential for cooperation among Gulf States in the production of machine tools, productivity in industrial establishments and capacity-building for technology transfer negotiations and contract negotiation. He particularly commended the training workshop on the use of the UNIDO Computer Model for Feasibility Analysis and Reporting. He was gratified to note the cooperation between UNIDO and the Arab Industrial Development and Mining Organization and the Economic and Social

Council for Western Asia and the agreement concluded with the League of Arab States identifying areas of cooperation between the two parties.

65. Every support should be given to the efforts of the Palestinian Authority to establish a solid economic base in order to enhance social and economic development through sound and continuous industrial development. He hoped that the programme strategy adopted by UNIDO in that context would be effective in bolstering industrial development in the Palestinian territories.

66. He fully supported the UNIDO reform process and the intention to strengthen field representation in order to ensure direct contact with recipients of advisory services; he would welcome any measure to strengthen the human and financial resources of the field representation programme.

67. **Mr. BAJOWA** (Nigeria) noted with satisfaction the imaginative steps taken by the Director-General to reform and reorient UNIDO in the light of the realities of a changed era and the industrial challenges of a transformed world.

68. He praised the collaboration received by his country from UNIDO in carrying out industrialization programmes in the context of the Second Industrial Development Decade for Africa. The fact that programmes related to the Second IDDA in Nigeria were limited reflected the limited availability of funds rather than any lack of capacity on the part of UNIDO.

69. A major area of interest in his country was the development of the small and medium enterprise (SME) sector. Emphasis was being placed on private and public-sector collaboration, the private sector acting as the engine of development and the public sector providing the enabling environment. The need for bridge-building between the public and the private sectors had been emphasized by the Conference of African Ministers of Industry at Gaborone, Botswana.

70. UNIDO's support for small and medium enterprises was invaluable in the efforts to foster industrial competitiveness and private-sector development. In the context of the UNDP fourth country programme for SME development in Nigeria, the Government was setting up a national credit guarantee scheme in order to expand access to credit for SMEs. He welcomed UNIDO's collaboration in industrial rehabilitation and the expansion of capacity utilization in the SME sector.

71. His Government was making efforts to restore agriculture to a prime position in the economy and reduce overdependence on petroleum, and women were being gradually integrated in those efforts.

72. UNIDO could play an important part in supporting economic integration at the subregional and regional levels. He urged the Director-General to intensify cooperation with organizations such as the Economic Community of West African States, now under the chairmanship of Ghana, in the design and implementation of projects under the Second IDDA programme. He urged the development partners and the international community in general to intensify cooperation with Africa to ensure the success of the IDDA programme, in conformity with the commitment undertaken at Yaoundé.

73. He appreciated the understanding shown by the international community. It was hoped that the democratization process in Nigeria would soon be accomplished in order to further enhance the necessary enabling environment for industrialization.

74. **Mr. AL-ZEID** (Saudi Arabia) expressed full support for the Director-General and UNIDO. He called upon all Member States to fulfil the obligations to support UNIDO that they had taken upon themselves through the Yaoundé Declaration.

75. He had noted that only one third of the activities planned for the period 1994-1995 under the regional programme for the Arab countries had been implemented. He asked for an explanation and for clarification as to the programmes that had been implemented. At the same time, he welcomed the activities recommended in accordance with the priorities of the programme for the Arab countries set out in document IDB.14/15, though most of them took the form of workshops and future studies. UNIDO must establish activities related to training programmes in order to develop human resources and thus enhance industrial capabilities in the Arab region: it should also hold seminars on strengthening and developing Arab industrial cooperation in the field of petrochemicals. UNIDO should help to promote the flow of technology to Arab countries in order to help them make use of local capacities and potential. For that purpose, UNIDO should cooperate with the Arab Industrial Development and Mining Organization, which had expertise and knowledge concerning the Arab region. It should also make use of other Arab expertise available in the region.

76. UNIDO should build bridges of cooperation with technical and financial institutions in the Arab region in order to provide greater openings for their participation in industrial development. It should also devote particular attention to the Arab programme for the

enhancement of capabilities and the provision of skilled staff with knowledge of the situation in the region.

77. UNIDO should devote more attention to the establishment of a clear strategy for technical assistance to the Palestinian people and should cooperate with the Palestinian Authority in order to foster the industrial development of the West Bank and Gaza Strip. It should begin implementation of projects already planned and partially funded as set out in document IDB.14/15. He welcomed the dialogue between UNIDO, the World Bank and UNDP aimed at strengthening assistance to the Palestinian people.

78. He had noted with satisfaction the success achieved by UNIDO in its cooperation with the Montreal Fund and hoped such cooperation would continue. UNIDO should also consider the possibility of establishing means of cooperation with other financial institutions.

79. **Mrs. TEPATANAPONG** (Thailand) associated herself with the statement made on behalf of the Asian Group.

80. She congratulated the Secretariat on presenting a succinct description of the constraints and prospects of the region and of UNIDO's endeavour to develop a programme focusing especially on the needs of the least developed countries. She welcomed the four regional support projects which had already been formulated or were being implemented by UNIDO.

81. While she was aware of the constraints on resources for regional activities, she thought that a comprehensive cost-effective thematic programme should be evolved at subregional level, for instance, for the Mekong River countries. A suitable theme would be the indigenous processing of agricultural and food products. She was sure that national Governments in the region could help in the development of such a programme.

82. With regard to the Regional Meeting of Ministers of Industry of Asia and the Pacific to be held at Bangkok from 15 to 17 November 1995, the Meeting would provide an opportunity for discussing the question of competitiveness at both the macro level and the enterprise level with a view to ensuring ecologically sustainable industrial development. The results of the Meeting would provide valuable inputs to the sixth General Conference session.

83. **Mr. BAPTISTA DA COSTA** (Observer for Angola) said that the Second IDDA called for action in the areas of national industrial policy and institutional development, as well as measures to support subsectoral and enterprise development. The manufacturing sector in most African countries, especially the LDCs, was small and undiversified. It lacked the critical mass for self-sustaining growth and the provision of a skills and technology base through the expansion of inter-industry linkages. It also lacked international linkages; exports of manufactured products were at a low level, and low levels of foreign investment resulted in inadequate channels for the provision of skills, technologies and access to international markets. Due attention needed to be given to reinforcing the acceleration of Africa's industrialization, with emphasis on information dissemination and skills development, combined with promotional activities to encourage access to technology and investment resources.

84. Private-sector promotion activities should focus on the main factors affecting industrial enterprises' productivity and competitiveness, including management techniques, quality, design and packaging, technology applications, transactions, the establishment of national and regional industrial and technological information networks, preparation of specialized SME databases and provision of support to manufacturers' associations. Special attention should also be paid to promoting the integration of women in industrial development.

85. His delegation wished to stress that close co-ordination should be maintained with Governments and intergovernmental organizations in the implementation of their respective IDDA programmes, and also with the World Bank, African development financing institutions, ECA, relevant organizations of the United Nations system, bilateral and multilateral organizations and African intergovernmental organizations, particularly OAU, with a view to enhancing the quality and quantity of assistance provided to African countries.

86. **Mr. BAKHTVAR** (Islamic Republic of Iran) said that, while appreciating UNIDO's efforts to strengthen and develop the Special Programme for the Industrial Development of Asia and the Pacific through various activities in the region, as outlined in document IDB.14/18, his delegation wished to encourage the Organization to continue those efforts with a clear focus on multi-country and subregional activities in cooperation with regional organizations. The programme would be further strengthened by the ministerial meeting due to be held in November 1995 at Bangkok. On that occasion, it would be useful to discuss the follow-up to the implementation of the Teheran Declaration adopted at the Sixth Regional Meeting of Ministers of Industry and Technology of Asia and the Pacific in June 1992, particularly those parts relating to UNIDO-ESCAP cooperation, and also to consider a new perspective for

industrial development in the region within the context of evolving global developments and the process of revitalization of UNIDO.

87. His delegation was convinced that ECDC/TCDC should be one of the main priorities of the medium-term plan, 1996-2001. If factors such as investment, development and transfer of technology, consultation and industrial information services were coordinated and utilized properly by developing countries, more beneficial results would be gained from UNIDO's activities in that area. His country had always supported regional cooperation initiatives that would promote industrial and economic development in the countries concerned. At the proposal of the Islamic Republic of Iran, the twelfth session of the UNIDO Leather and Leather Products Industry Panel would be held at Teheran in August 1995, as a regional meeting encompassing 10 member States of the Economic Cooperation Organization (ECO). His country was also negotiating with UNIDO the establishment, for the ECO region, of an industrial and technological information bank, which would constitute an appropriate source of data for the provision of technological and consultation services to ECO member States. His delegation regretted that chapter 3 of the Annual Report of UNIDO for 1994 (IDB.14/10) made no mention of the signing of the agreement between ECO and UNIDO in February 1994.

88. In conclusion, his delegation wished to state that it supported the remarks made by the observer for Malaysia on behalf of the Asian Group.

89. **Mr. AIT HMID** (Observer for Morocco) said that the developing countries were in need of the technical cooperation that UNIDO could bring about in key areas of industrial development. During the past decade, some countries of North Africa had diversified their industrial base, improved the quality of their products, made increasing use of new production technologies and successfully engaged in public-sector privatization. There were thus areas, such as human resources and technical skills, in which such countries had made notable progress and which were underutilized within the framework of South-South African cooperation. UNIDO should perform a catalytic role in facilitating the acquisition by the African countries of technologies tailored to their needs and in promoting intra-African cooperation in the field of industry and related sectors. Developed countries too could be involved, assisting in the development of skills to meet the needs of industry. That would lead to diversification of the African States' industries and economies, and would considerably increase the chances of success of the Second IDDA.

90. His delegation wished to confirm Morocco's full support for the IDDA activities carried out by UNIDO and to congratulate the Secretariat on the initiatives undertaken in 1994 and 1995, in particular the private-sector promotion forums organized at Abidjan and Gaborone and the efforts to mobilize funds for the implementation of the programmes for the Decade. It hoped that part of the IDDA funds would be allocated to cooperation between the Mahgreb States and sub-Saharan Africa in private-sector promotion and the development of processing industries, particularly agro-industries.

91. In today's world, the key to successful development was the utilization of new technologies and their adaptation to countries' developmental conditions. Morocco accordingly sought UNIDO's continuing support in the area of technology transfer, particularly with regard to advanced technologies and more effective cooperation in human resource development. Particular attention should be focused on the training of women and their integration in the technology transfer process, in order to ensure their effective participation in industrial development and thus their advancement and improved standard of living.

92. In addition, UNIDO could play an important role in attracting foreign investment to the African continent. In that connection, the organization of the investment project promotion forum to be held in Morocco in 1996 within the framework of IDDA was a major priority for his country.

93. His delegation wished to stress the importance of national programmes for the Decade and their adequate preparation, bearing in mind that the countries themselves were responsible for coordinating their implementation. In his delegation's view, one of the weak points of IDDA activities was the hasty preparation of national programmes, and he wished to recommend that in the course of the next biennium the national programmes be updated with the participation of the private sector, Governments and investment promotion centres. National programmes should provide a means for monitoring and coordinating the implementation of the programmes for the Decade.

94. His delegation fully supported the remarks made by the representative of Qatar concerning the programme for the Arab countries.

95. **Mr. AL-DAKHEEL** (Kuwait) said that his delegation endorsed the remarks made by the representative of Qatar on behalf of the Arab States in

connection with the Special Programme for Industrial Development in the Arab Countries. It had hoped that, following the request made to the Director-General, in resolution GC.5/Res.13, for measures aimed at enhancing that programme, an account of the results achieved would have been presented in document IDB.14/15 now before the Board. Unfortunately, that document referred only to initiatives taken or to be taken in the implementation of regional activities. His delegation noted that, in 1994, expenditure for the Arab States had increased on projects under the Montreal Protocol funding arrangement, but there had been a decrease in regard to other projects.

96. With regard to the programme concerning regional cooperation among the Arab States, his delegation felt that there was a need for AIDMO to participate actively in formulating the related projects, which should take account of the common interests of the entire region. Because of its capacities, AIDMO, which embraced all the members of the League of Arab States, could also be actively involved in the implementation of the programme. Furthermore, the North African countries should be integrated into the programme for the Second IDDA, and AIDMO should take part in the implementation of the related projects.

97. His delegation hoped that the regional studies relating to the Arab region, which were usually issued in French and English only, could be produced in Arabic, in order to ensure that full use was made of them.

98. Finally, Kuwait considered it very important to increase the number of UNIDO country offices in the Arab region, with a view to enhancing UNIDO's activities in the region and, in particular, the implementation of the Arab countries programme.

99. **Mr. PHAM HONG NGA** (Observer for Viet Nam) said that his delegation fully supported the statement made by the Chairman of the Asian Group concerning the Special Programme for the Industrial Development of Asia and the Pacific. The analysis contained in document IDB.14/18 of the constraints facing the region and its prospects was well presented. The focus on promoting the processing of food products and the development of small- and medium-scale industries in the LDCs was of particular relevance. UNIDO's endeavours to develop a regional approach to ensure economically sustainable industrial development in the LDCs should continue apace, and his delegation was confident that the forthcoming regional ministerial meeting would lead to the establishment of a concrete programme of action for the region.

100. Five priority areas for UNIDO support had been identified and included in the memorandum of understanding between the Government of Viet Nam and UNIDO signed in November 1994. They were a reflection of the priorities both of his country and of the Organization.

101. The developing countries needed assistance from UNIDO in view of its comparative advantage. In the case of Viet Nam, that comparative advantage related primarily to UNIDO's status as a neutral and impartial cooperation partner with no commercial or country-specific interests, to its status as an international, global organization with a capacity to provide international perspectives on industrial development, to its status as a multilateral agency of the United Nations system able to mobilize and coordinate finance for technical assistance in the industrial field, to its strong in-house professional and multidisciplinary competence in areas of concentration, and to a strong field representation, facilitating demand-oriented programming of technical assistance, as well as efficient monitoring of programmes and projects in the field.

102. In conclusion, while commending the Director-General and his staff for their work in assisting Viet Nam's development, his delegation wished to express its thanks to the Governments of Japan and the Republic of Korea for their support concerning the project relating to assistance for the preparation of a medium-term industrial and trade development strategy.

103. **Mr. EL GAILANI** (Sudan) said that his delegation attached great importance to UNIDO's activities within the framework of the Second IDDA and hoped that the programme for the Decade would be accorded sufficient attention in the biennium 1996-1997. It wished to urge the donor countries and specialized agencies to support the programme so that its objectives could be achieved by the year 2002.

104. His delegation would like to receive further clarification concerning the number of projects implemented and supported under programme 320 referred to in document IDB.14/10/Add.1.

105. The Sudan supported the statement made by the representative of Qatar on behalf of the Arab States concerning the Special Programme for Industrial Development in the Arab Countries. The information contained on that programme in document IDB.14/15 was of a very general nature and did not reflect the activities carried out or the budget approved for the programme. His delegation therefore wished to request

the Director-General to present to the sixth session of the General Conference an updated and comprehensive status report on the programme. His delegation believed that allocations for the programme should be increased and that AIDMO should participate in setting the priorities and designing the projects included in it.

106. His delegation appreciated the attention given by UNIDO to the provision of support to the Palestinian people. It hoped that the projects agreed with the Palestinian authorities would be sufficiently funded with a view to their satisfactory implementation, and it urged the donor countries and international banks to give special priority to the programmes of assistance to the Palestinian people.

107. Although Arabic was an official language of UNIDO, regional studies on the Arab region were issued only in English or French, and thus were only of limited use.

108. **Ms. KING-AKERELE** (Managing Director, Country Strategy and Programme Development Division), replying to points raised during the debate, said, in connection with the concern expressed by a number of Arab States regarding the participation of the North African countries in the IDDA programme, that UNIDO had published a folder entitled *Working with African Industry*, which included a fact sheet on the Arab countries and IDDA. That listed a number of IDDA support projects in the Arab North African region, including a technical assistance project on industry-related services for Tunisia, Morocco and Algeria, an investors' forum for Morocco, a waste minimization project involving the Sudan, the SME "umbrella" programme involving Arab countries, and an analysis of the automotive industry in Africa that would include case studies of Egypt, Tunisia and Morocco. Moreover, Tunisia and Morocco had both played lead roles in discussions at the recent private sector forum in Botswana.

109. With regard to the suggestion made by the observer for Morocco concerning South-South cooperation and his remarks concerning revised national programmes, she could confirm that an approach had already been made to UNIDO from the Moroccan private-sector participants at the private-sector forum seeking business contacts on the proposed lines, and that UNIDO was currently preparing a project document for financing the revision of national IDDA programmes in the North African States to the tune of $70,000 to 90,000.

110. Although there had been a decrease in traditional sources of technical assistance funding from UNDP, impressive efforts had been made to mobilize funds in the Arab region. The figure for projects approved financially in 1994 for the Arab countries programme (IDB.14/10/Add.1, page 8) did not include the projects actually developed. The total number of projects developed and approved in that year was in fact 84.

111. She wished to stress the relevance of the Montreal Protocol funding facility in technical cooperation activities. Its growing importance was due to its technical characteristics, which were fully in line with the Organization's set of priorities as defined by Member States, and its potential for generating funds for UNIDO activities at a time when other sources of finance were diminishing. UNIDO had been assigned the role of technical implementing agency for the Montreal Protocol.

112. She appreciated the acknowledgements made by a number of delegations, including Turkey and Qatar, concerning UNIDO's Palestinian strategy. As stated in her introductory remarks, a sizeable package already existed, and the Organization was in close consultation with other donors concerning project financing.

113. Note had been taken of the interest expressed by the representative of Nigeria in relation to private-sector development and the suggestion regarding support for economic integration efforts currently under the chairmanship of Ghana. Ghana would host the next meeting of the Conference of African Ministers of Industry (CAMI) and would also chair the follow-up to the private-sector forum for the West African coastal subregion. The issue of private-sector development in terms of regional integration was thus expected to be aggressively pursued.

114. Regarding the pertinent comments made by the representative of the Islamic Republic of Iran concerning regional cooperation and ECDC/TCDC activities involving UNIDO and ECO, she was pleased to report that some cooperation with ECO was already under way. The forthcoming meeting of the UNIDO Leather and Leather Products Industry Panel at Teheran would provide an opportunity to explore

business possibilities in the region, and the Organization would look into other areas of cooperation in the future.

115. She wished to express appreciation for the positive statements made by Malaysia on behalf of the Asian Group, by Thailand and by the Islamic Republic of Iran. Those remarks were most encouraging, particularly as the programme for Asia and the Pacific was operating under very difficult staffing conditions. It was true that technical assistance resources for Asia and the Pacific had diminished but, as had been pointed out, that was beyond UNIDO's control. It was due mainly to the drastic reduction in UNDP indicative planning (IPF) funding for the countries of the region. There had also been a dramatic increase in national execution in the region. In the past, UNIDO had had greater opportunities for participating in the execution of UNDP projects in the region.

116. Note had been taken of the suggestion made by Thailand regarding the development of a subregional programme on a thematic basis. Food processing, SMEs and artisanal industries were very pertinent areas. The Organization hoped to develop some interesting proposals in the Mekong area. That would require the assistance of the States of the region, and ECDC/TCDC would be an integral component of those proposals.

The meeting rose at 6.15 p.m.